Austria Sch22	Indonesia Rp3100	Portugal Esc100
Bahrain Din0.650	Israel NIS3.50	S.Arabia Rls6.00
Belgium BFr48	Italy L1600	Singapore S$4.10
Canada C$1.00	Japan Y600	Spain Pta125
Cyprus C£0.75	Jordan Fils500	Sri Lanka Rup30
Denmark DKr9.00	Kuwait Fils500	Sweden SKr9.00
Egypt E£2.25	Lebanon $L125.00	Switzerland SFr2.20
Finland Fmk7.00	Luxembourg LFr48	Taiwan NT$65
France FFr6.50	Malaysia Rin4.25	Thailand Bt50
Germany DM2.20	Mexico Pes300	Tunisia Din0.600
Greece Dr100	Morocco Dh6.00	Turkey L500
Hong Kong HK$12	Netherlands Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr8.00	USA $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,397 Tuesday November 24 1987 D 8523 A

India: 'Press gag' fuels the fire for Rajiv Gandhi, Page 28

World News

Food crisis looms for 1m in Ethiopia

Nearly 1m people in a drought-hit region of Ethiopia had only four weeks' supply of food left, a leading aid agency warned. A total of 5.2m people throughout the country were threatened by famine.

The situation was "critical," Care reported, but added that a major disaster could be prevented if food arrived soon. Page 28

Democrat favourite

Senator Paul Simon of Illinois, once considered an outsider, was one of the favourites to secure Democratic nomination for next year's US presidential election. Page 5

Satellite deadline

West German engineers controlling Europe's first direct broadcasting satellite were trying desperately to correct a fault which threatened to halve the output of the DM1bn ($595m) vehicle which was launched at the weekend. Page 3

Iranians attack ships

An Iranian warship attacked a small Romanian freighter in the Strait of Hormuz, setting it ablaze and injuring three crewmen, then fired on a Panamanian container ship and warned off a French navy vessel. Page 7

Police chief seized

Communist rebels abducted a police chief in the Philippines as the military said it had laid the first charges against a top rebel leader captured earlier this month.

Bangladeshis clash

Riot police fired warning shots to break up street fighting in Dhaka between government and opposition supporters during a nationwide anti-government strike. Ershad takes tougher line, Page 7.

Tunisian plot

Tunisian security forces seized arms and explosives and arrested a gang plotting to assassinate prominent figures, the official TAP newsagency said.

Cubans riot in US

Cuban refugees facing deportation rioted and started fires at a prison in Atlanta, Georgia, just 36 hours after Cuban inmates seized control of a prison in Louisiana and took 24 guards hostage. Page 5

Romanians 'smuggled'

Dozens of Romanians had been smuggled into West Germany in lorry cargoes after paying up to DM16,000 ($9,580), Bavarian state police said.

Petrol bomb attack

Protestors threw petrol bombs at South Korean presidential candidate Roh Tae-woo and more than 1,000 anti-Roh students clashed with riot police. Roh was not injured.

Polish poll shunned

Almost 40 per cent of voters failed to turn out for a weekend poll in one small Polish town in a trial run of next week's national referendum on the Government's reform package, despite a big publicity campaign beforehand. Leader for Polish group, Page 3

Swazi trial opens

Twelve former senior Swazi leaders went on trial for high treason before a special tribunal set up two weeks ago by order of King Mswati. The accused included an uncle of the 19-year-old monarch.

Greenpeace blockade

Greenpeace vessels blockaded a British ship in the River Thames south of London to stop it discharging sewage into the North Sea.

US-Soviet peace book

"Breakthrough," a book by American and Soviet scholars on the danger of nuclear war, was released in Moscow.

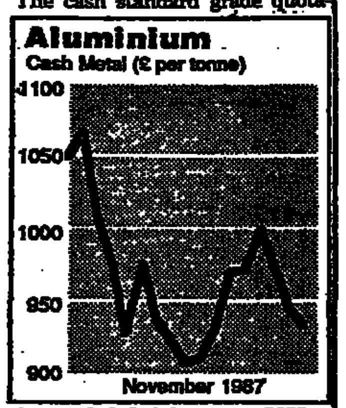
Business Summary

Kidder cited in lawsuit for insider trading loss

KIDDER PEABODY, Wall Street investment firm which once employed the disgraced former banker, Mr Martin Siegel, was named in a civil lawsuit demanding at least $300m in damages to cover losses caused by alleged insider trading at the firm. Page 28

NORANDA, Canadian mining group, expects a sharp upswing in second-half profits due to rising prices and demand for metal and forestry products. Page 29

ALUMINIUM prices continued to slide back from recent highs on the London Metal Exchange. The cash standard grade quota-



tion ended £11 lower at £935 a tonne, taking the fall in the past three trading days to £64 a tonne. Page 38

WALL STREET: By 2pm the Dow Jones own 3.65 at 1,909.98. Page 48

LONDON: UK stocks lost part of their early gains after Wall Street turned lower. In thin turnover, the FT Ordinary index rose 23.7 to 1,309.4 and the FT-SE 100 Index was up a net 24.3 at 1,657.7. Page 48

PAN AMERICAN, troubled US international air carrier received a takeover bid involving the exchange of stock from an investor group led by Towers Financial, a little-known New York firm. Page 29

NATIONAL Semiconductor, one of the largest US chip makers, has signed an agreement with Mitsubishi Electric giving the Japanese electronics company the right to sell National's most advanced microprocessor products in Japan. Page 4

SUZUKI, Japanese vehicle and electronics company, has told the Indian Government that it wants to raise its equity stake in the government-owned Maruti Udyog car company from 26 per cent to 40 per cent. This would involve a cash investment of $14m. Page 4

OLYMPIA & YORK, Canadian property and resources empire, currently weighing a bid for Santa Fe Southern Pacific, has boosted its stake in Campeau, Canadian property developer, to the equivalent of 10.48 per cent of outstanding subordinate voting shares. Page 29

GENERAL ELECTRIC Company, UK engineering and electronics group, has entered the aero-engine business by taking a stake in an engine being developed by General Electric of the US. Page 11

SCANDINAVIAN Airlines Systems is unlikely to proceed with a partial offer for British Caledonian Group unless it is assured in advance of clearance by the Office of Fair Trading.

OVERSEAS Trust Bank, run by the Hong Kong Government since its collapse in June 1985, reduced its net loss to HK$25m (US$3.2m) in the year to June, and forecast a return to profitability this year. Page 30

GENERAL MOTORS' Bedford truck and bus operations at Dunstable in the UK were bought by a British entrepreneur who intends to take Bedford back into the civilian truck and bus market. Page 8

WOOD GROUP, Aberdeen oilfield has acquired SIE, a manufacturer of wireline products based in Fort Worth, Texas, and Amtec, its wireline services subsidiary. Page 12

BET, international services group, reported a 56 per cent increase in pre-tax profit to £92.1m,

Ireland and Britain join to track down IRA arms

BY OUR BELFAST AND DUBLIN CORRESPONDENTS

SECURITY forces in the Irish Republic and the British province of Northern Ireland launched a major cross-border search for IRA arms yesterday, following intelligence reports that terrorists had smuggled huge consignments of weapons and explosives into both.

The operation, which may continue all week, is one of the largest-ever involving police and troops on both sides of the border.

In the Irish Republic, more than 7,000 soldiers and police are taking part. All army leave has been cancelled and reserve forces are being called up to man duties ordinarily carried out by regular soldiers.

The operation started at dawn and was centred on the border areas, but searches have been carried out across the Republic and included a lunchtime raid on the premises of the Sinn Fein newspaper, An Phoblacht, in Dublin.

Final approval for the operation is understood to have been given at last week's special meeting of the Anglo-Irish conference chaired jointly by Mr Tom King, the Northern Ireland Secretary, and Mr Brian Lenihan, the Republic's Foreign Affairs Minister.

Both ministers were briefed on the security situation by Sir John Hermon, the Royal Ulster Constabulary's Chief Constable, and Mr Eamonn Doherty, the Republic's new Guarda (police) Commissioner, after the IRA bombing of Enniskillen in Northern Ireland.

It is widely believed that the operation is linked to the seizure of the freighter Eksund off the coast of France three weeks ago, which was carrying nearly 120 tonnes of arms and explosives, including surface-to-air missiles. Five Irish citizens are in French custody on arms smuggling charges following the interception of the vessel.

Soon after the Eksund was seized, reports began to circulate in Dublin suggesting that several arms shipments had taken place in the previous two years. Irish police began re-examining in particular the circumstances surrounding a large arms seizure near the border in early 1986; some arms discovered in that operation are thought to have originated in Libya.

Mr Gerry Collins, the Republic's Justice Minister, made what he conceded was an unusual move when he went on radio yesterday morning to describe the operation just half an hour after police and troops moved into position. He said it was the biggest security operation in the history of the Republic and the scale of the munitions being sought posed a threat to the security of the state.

Mr Collins said the security forces had information which indicated that up to four arms shipments may have been landed in the Republic over the last two years. The firepower of the smuggled cargoes was capable of overwhelming the Irish police force.

Mr Collins said he had information that the four shipments had been loaded "in the Mediterranean area." Irish ministers

Continued on Page 28

Shearson Lehman in talks on merger with E.F. Hutton

ANATOLE KALETSKY IN NEW YORK

E.F.HUTTON, the large US stockbroking firm which has been struggling to re-establish its reputation after a series of financial losses, management shake-ups and regulatory enquiries, has put itself up for sale.

Shearson Lehman Brothers, the investment banking subsidiary of American Express group, appears to head the list of potential buyers.

Hutton initially said yesterday only that it had "received indications of interest regarding a substantial equity investment or possible acquisition of the company".

Its statement implies that talks might be held with more than one potential partner, although the firm refused to elaborate on this point.

However, Shearson Lehman announced afterwards that it had been contacted by Hutton to discuss a possible merger, adding that it was interested in a combination and would soon begin full merger talks.

A Shearson-Hutton combination would create the biggest investment banking firm in the US in capitalisation, and a retail stockbroking business second only to Merrill Lynch in terms of sales force and employees numbers. It could also send strong signals about an imminent restructuring of US securities industry in response to the harder times that seem to lie ahead for brokers, after October's stock-market crash.

EF Hutton, with 18,000 employees and nearly 7,000 salesmen, ranks third among the US retail stock brokers as a sales operation, after Merryll Lynch and Dean Witter. Shearson Lehman, which has 27,000 employees and 6,000 salesmen, ranks fourth. In terms of capital, Shearson with $3.25bn is second only to Salomon Brothers while EF Hutton, with just under $1bn comes about tenth.

The two firms were widely reported to have been involved in previous merger talks last year after a series of setbacks and financial scandals at EF Hutton made the company appear vulnerable to takeovers. However, the talks broke down partly on the question of price. Shearson was said to have offered $50 a share while Hutton was insisting on at least $55.

Today, the price commanded by Hutton is almost certain to be very much lower. In the week since the crash many leading Wall Street firms have announced big losses, both on their own trading and as a result of failures to meet margin calls by retail clients. Shares prices of the stockborking firms have been particularly badly hit and none has been worse affected than Hutton.

Rumours of huge losses and even possible insolvency circulated around the company in the immediate aftermath of Black Monday. While the insolvency fears were strongly denied by the company and generally dismissed by analysts Hutton's share price fell almost by half from over $30 to less than $17 in the week of the market crash. The firms share price jumped by almost one-third from $20.25 to $26.75 immediately after the morning's announcement. The share price valued Hutton at around nearly $900m.

Other battered broking stocks also advanced strongly on speculation about possible industry wide realignments.

New chief for UK securities body

The Securities Association, the British regulatory body supervising the securities industry, yesterday elected a new chairman: Mr Stanislas Yassukovich, chairman of Merrill Lynch Europe and Middle East. The association is the largest self-regulating organisation under the UK's new investor protection legislation. His term of office runs to next November, when a new constitution is to be introducted. He is to succeed Mr Andrew Large, who is taking up a senior post in Swiss Bank Corporation on January 1. Page 28

Arms talks aim for INF treaty by December

BY ROBERT MAUTHNER AND WILLIAM DULLFORCE IN GENEVA

MR GEORGE Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, yesterday injected a note of political urgency into negotiations to remove the final obstacles to the global elimination of their countries' medium range nuclear (INF) missiles.

At the end of the first 4½ hour session in their two-day schedule they instructed their arms negotiators to complete an INF agreement in time for President Reagan and Mr Mikhail Gorbachev to sign at their summit meeting in Washington on December 7-10.

Mr Charles Redman, the US State Department spokesman, said after the evening session that the ministers had made progress in their six and a half hours of talks, but "obviously there remain things to be done". Both Mr Shultz and Mr Shevardnadze had agreed that their discussions had been "constructive, businesslike and straightforward".

Both sides' determination to prepare for a successful summit was illustrated by the weight of their delegations. Mr Shultz is accompanied by Lt Gen Colin Powell, President Reagan's new national security adviser, Mr Paul Nitze, special adviser on arms control, Mr Edward Rowny, special adviser to the State Department, and Mr Kenneth Adelman, director of the US arms control and disarmament agency.

On his side, Mr Shevardnadze has Marshal Sergei Akhromeyev, Soviet Chief of Staff, Mr Viktor Karpov, head of the Soviet Foreign Ministry's arms negotiating department, and Mr Anatoly Adamishin, Deputy Foreign Minister.

On his way to Geneva, Mr Shultz told journalists that the presence of these men on the Soviet side showed that they "intended to try to finish this (the INF agreement)."

US officials earlier stressed the difficulties in resolving outstanding problems centred on verification, ensuring that neither side can cheat.

After the first Shultz-Shevardnadze session one official suggested that the remaining hitches were "not of the dimension" of previous obstacles that have been overcome in the 34-month negotiations.

One concerns the right of each side to inspect on challenge sites at which it suspects cheating may be going on. This is reportedly still the core issue.

Another centres on a Soviet demand to be able to inspect European bases on which US missiles are currently deployed for up to 10 years after the destruction of the missiles.

Mr Shultz told reporters on his way to Geneva that the INF treaty was virtually complete with "all the main things agreed to." But some details which kept "spinning out" had to be "corralled."

The US will offer to let the Soviet Union inspect one of its missile plants in return for Soviet agreement to open up for monitoring an assembly plant for long-range SS25 missiles whose first stage is almost identical to that of the medium-range SS20s covered by the treaty.

Mr Shultz also thought it possible to have a treaty reducing by half the longer-range (over 5,000 km) strategic nuclear missiles (Start) agreed and ratified in 1988.

The two ministers will devote a considerable part of their time here to speeding up the START talks. Strategic arms are expected to figure prominently on the summit agenda.

Soviet insistence on linking progress on START with curbs on the US Space Defence Initiative (SDI) had not been resolved, and verifying a START agreement would be much more difficult than monitoring an INF agreement, Mr Shultz said.

Nigeria agrees new loan facility with banks

By Michael Holman and Peter Montagnon in London

NIGERIA yesterday signed a $4.2bn rescheduling and new loan package with its commercial bank creditors, ending 18 months of tortuous negotiations.

The agreement includes a $320m new loan facility which will be released in instalments starting next February. Dr Chu Okongwu, the Nigerian Minister of Finance, said it was "a major step forward" in the Government's efforts to revive an economy severely hit by a slump in oil export earnings since the early 1980s.

The rescheduling covers 1986-87 maturities of $1.55bn in medium-term debt and $2.35bn in letters of credit. Terms were agreed around a year ago, but the signing was delayed until yesterday partly because of the reluctance of Japanese banks which were not represented on the banks' negotiating committee.

The rescheduling is a key part of efforts by the military Government of President Ibrahim Babangida to cope with an external debt of some $22bn which proved impossible to service after earnings from oil, Nigeria's main export, fell from a peak of $20m in the late 1970s to a forecast $6bn this year.

Dr Okongwu said yesterday, however, that negotations would have to begin almost immediately on a new reschedulng of debt falling due in 1988 and 1989. Nigeria would also be asking its bankers for a "substantially larger" new loan than the $320m signed yesterday.

Bankers expect the new rescheduling to involve a revision to yesterday's $2.35bn agreement on letters of credit as these would otherwise have to be repaid over the coming three years. This time round a Japanese bank, probably Bank of Tokyo, is expected to be represented on the negotiating committee which is chaired by Barclays, Citibank and Banque Nationale de Paris.

Nigeria now intends to secure the International Monetary Fund's approval for a new "growth orientated" economic programme. It also wants to settle a disagreement with export credit agencies over arrears on offically insured debts and agree rescheduling terms with uninsured trade creditors. Dr Okongwu said he hopes to meet these creditors in January.

Dr Okongwu said he had

Continued on Page 28

$ weaker on currency markets

BY SIMON HOLBERTON IN LONDON

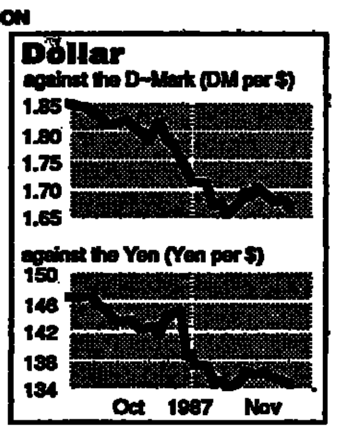
THE DOLLAR weakened on world currency markets yesterday as proposals before the US Congress to cut the budget deficit received a muted response.

In Europe, the US currency traded lower in London and was marked down more than 1 pfennig to DM1.6680 at the close. Early New York trading was also subdued.

Dealers said currency markets were looking for the passage of the US budget cuts through Congress and to a meeting of the Group of Seven major industrial countries to provide direction.

There was no discernable trend in major equity markets. Prices in London were higher due to an optimistic outlook for investment in UK industry provided by the Confederation of British Industry, the employers' organisation.

The FT-SE share index closed 24.3 up at 1657.7. Analysts said turnover was light with market makers determining prices. There was little evidence of retail interest as institutions were attempting to rebuild cash reserves, they said. The FT Ordinary share index closed 23.7 points higher at 1309.4.



Wall Street stocks took little comfort from the US budget accord, brokers said, and traded in a narrow range ahead of Thursday's holiday.

At midsession, the Dow Jones Industrial Average was off two points at 1911.

The pound was largely unaffected by comments made by Mrs Margaret Thatcher, the British Prime Minister, that the UK did not have a target range for sterling against the D-Mark, despite the apparent contradiction with the Treasury's recent statements on managing the exchange rate.

The pound closed at $1.79, compared with $1.7790 on Friday, and at DM2.9850 (DM2.9925).

Lex, Page 28; Currencies, Page 39; World stock markets, Page 50

Opposition to UK farm plan

BY TIM DICKSON AND QUENTIN PEEL IN BRUSSELS

SIR GEOFFREY Howe, the British Foreign Secretary, yesterday presented a new plan to write off up to Ecu7bn ($8.26bn) from the value of surplus European Community food stocks to ease the immediate EC budget crisis.

His proposal came as EC agriculture ministers were in danger of reaching complete stalemate in their efforts to control spending on all the major sectors supported by the Common Agriculture Policy.

The full Council meetings of both foreign ministers and agriculture ministers were taking place simultaneously, in an effort to reach a sweeping agreement on EC financial reform in time for next week's summit meeting in Copenhagen.

Sir Geoffrey's plan, first mooted by Mrs Margaret Thatcher, the British Prime Minister, in an interview with the Financial Times at the weekend, presupposes a successful deal by the farm ministers on "stabilisers" to control the spiralling cost of farm subsidies.

The UK idea would allow each member state to bear the burden of offloading accumulated farm stocks on its national budget - or at least outside the limits to be set on farm spending within the Community budget.

The plan would relieve the cash-strapped EC budget of around Ecu7bn over the next five years, on current estimates, by writing off the excess book value of old food stocks, and selling it off at market prices.

However, it was greeted with a distinct lack of enthusiasm by the European Commission, and several member states, on the grounds that it would amount to "backdoor renationalisation" of the CAP.

It would also place a disproportionate burden on West Germany, which holds far more than its share of EC food stocks.

In the Farm Council, talks centred on a new proposal from the Danish presidency, which moved very little from the original proposals of the Commission for strict penalties on farmers once production ceilings have been exceeded.

The discussion quickly became

Continued on Page 28

CONTENTS

PERUVIAN LEADER PAYS PRICE OF TAKEOVER BLUNDER

President Alan Garcia, who has seen his popularity rating plunge dramatically, Page 5

Yugoslavia inflation policy put in jeopardy

By Aleksandar Lebl in Belgrade

STRIKES continue to spread in Yugoslavia, threatening to undermine the Government's anti-inflation programme.

For the first time workers are also now taking to the streets, demonstrating in public. The strikes are a reaction against general economic conditions and government policies, and are not just because of conflicts with managers over low wages and working conditions.

The exact number of strikes is difficult to establish. But as worrying as their frequency is the degree to which management is caving in to workers' demands. In most cases strikers have quickly won wage increases, sometimes of up to 100 per cent. These have been granted out of fear for the political and social consequences.

Last week, it was strikes at the ironworks and the aluminium factory in Skopje which hit the headlines. Over the weekend, workers in the Kreka coal mine in Bosnia and Herzegovina struck, demanding a 100 per cent pay increase. In the same republic, television closed down for a day and the local weekly newspaper did not appear after journalists went on strike.

Both the number of strikes and workers involved have doubled at least from last year, itself a record.

It is not clear where the money for wage increases will come from. "Unjustified" pay rises won by strikers are a challenge to the Government's anti-inflation and stabilisation programme.

Real wages in Yugoslavia fell by about a quarter from 1980 to mid-1985. In the second half of 1986 some ground was recovered, with real wages increasing by more than 10 per cent. So far this year, there has been a new fall of 4 per cent.

Unemployment figures started falling marginally this year after many years of a steep rise, but when the anti-inflation programme and bankruptcy legislation start to bite, the number of jobless will go up again.

Bridget Bloom, Agriculture Correspondent, reports on the problems faced by Bonn in protecting its small farmers

The key to CAP reform passes to West Germany

The spiralling costs of the Common Agricultural Policy threaten to undermine the European Community's attempts to provide a sounder basis for its *future financing, the central issue at the heads of* government in Copenhagen on December 4-5. In the seventh of a series of articles from national capitals, we *look at the political, economic and social factors* influencing West Germany's government on the farm issue.

IT HAS been *fashionable*, in the Anglo-Saxon world at least, to see France as holding the key to reform of the European Community's Common Agricultural Policy, but today perceptions have shifted. West Germany, a country with a surprisingly inefficient farm structure and a deep-rooted attachment to agricultural protectionism, *is now* fulfilling that unenviable role.

The West German Government, *of* all 12 member states, has the strongest objection to the latest proposals designed to curb the Community's spiralling farm budget, on which negotiations resume in Brussels today.

Bonn finds the reforms envisaged by the European Commission, which would inevitably result in lower prices for farmers, politically unacceptable. The family farm, from Bavaria in the south to Schleswig-Holstein in the north, has long been seen as the bastion of social stability in the rural areas. Politicians seem to fear that reform of the CAP *would threaten that stability.*

For those accustomed to thinking of West Germany as Europe's most efficient industrial power, the inefficiency of its agriculture comes as something of a shock. Comparisons with the UK are instructive. The two countries have similar populations (61m in Germany, 54m in the UK) and in both countries' agriculture accounts for about 2 per cent of gross domestic product.

However, whereas the UK has just over 600,000 people working in agriculture, Germany has 2m. Britain has 260,000 farm holdings against Germany's 708,000, while the average *farm size is* 16.8 hectares in West Germany and 65 hectares in the UK.

There have, *of course*, been some shake-outs since the war - before 1939 Germany was among the most protectionist of agricultural countries. In 1949, for example, there were 1.6m holdings, while in 1968 10 per cent of *the civilian workforce* was in agriculture, compared to about 5 per cent today.

In the 1960s the number of people depending wholly on farming for their living declined markedly as marginal farmers found part-time work in growing industries, so that today about 288,000 farmers earn less than half their income from farming.

Today, however, these farmers and especially the 350,000 others who still earn their living entirely from farming, are dependent on high Community prices to keep them viable. Some experts believe that one-third to *one-half of full-time farmers* could be vulnerable to even the smallest of market-oriented changes in the CAP.

The West German Government's formal case in Brussels is that while the high cost of the CAP means that change must come, the Commission's solutions, warmly endorsed by Britain, are the wrong ones. The Commission wants to introduce so-called stabilising measures. These would stop short of imposing cash limits on farm spending, but would automatically trigger price reductions and *other penalties if production* ceilings were exceeded.

Bonn argues that such price cuts are unacceptable on two counts.

First, it maintains that price reductions already agreed (notably on cereals and on oilseed rape) have, because of the strong D-Mark, had a disproportionate effect on West German farmers, *amounting to real cuts of 20 to* 25 per cent over the last four years.

Secondly Bonn argues that the price cuts would not result in cuts in production, as farmers will produce more to maintain their income. The need to reduce the Community's huge surpluses is acknowledged, but the remedy, the Government and the Bauernverbandes, the influential farmers' union maintain, is to *take land out of* production, not to cut prices paid to the farmer.

The West German Government is alone in Europe so far in experimenting with "set-aside" programmes. Farmers in Lower Saxony are marginally better off through compensation on letting land lay fallow than they were producing cereals on it. Bonn says it would like to extend these schemes across the Community, at least until 2.5m to 3m hectares - the area estimated to be responsible for the Community's 10m to 15m tonnes a year surplus - is taken out of production.

It is certainly not yet proven that price reductions of the relatively small scale contemplated by the Commission would actually reduce production, but many West German politicians feel additional pressures to alleviate the farmer's lot.

Farmers - or at least rural interests - constitute a powerful political lobby for the federal and state governments alike. Not only are there many more farmers than, for example, in Britain, but nearly 50 per cent of the population as a whole (compared to about 25 per cent in the UK) lives in rural or semi-rural areas. This feeds West Germany's environmental and "green" lobby, the *most* significant in Europe, while the country's proportional voting system means that shifts of only a percentage point or two can have a marked effect.

'Most farmers stopped believing CAP was good for them a year or two ago'

Until recently individual farmers and their unions have been as firmly protectionist as the *Government. Yet perhaps the* most significant factor today is that farmers' discontent with Government policies appears to be growing.

Karl Eigen, a federal MP from the governing CDU party and president of the Schleswig-Holstein branch of the farmers' union, believes that only 50 to 60 per cent of farmers voted for his party in the last election, compared to 80 to 90 per cent a few years ago. This he ascribes to disaffection with the "bureaucrats in Brussels."

However, Dr Gunther Muller, a Bavarian MP from the CSU, another party in the ruling coalition and the party of Mr Ignaz Kiechle, the pugnacious Agriculture Minister, thinks most German politicians have not been *honest with farmers.*

"Most farmers stopped believing that the CAP was good for them one or two years *ago*," he says. Instead of assuring farmers that all will be well if prices are not reduced, ministers should be concentrating on getting aid from Brussels to help them adjust to the new and much more difficult circumstances. This should include schemes for early retirement (one-third of West German farmers are said to be over 50) and for more environmentally sensitive farming.

Such *criticism is still muted.* Privately some officials say the Government is failing the farmers with its continual assurances that price cuts can be avoided. They charge it with lack of direction. But the toughest overt criticism so far has probably come from the BDI, the industrialists' organisation, which has recently advocated a more market-oriented approach, with help for farmers to leave agriculture.

As farm ministers meet again in Brussels to discuss the Commission's stabilisation proposals in preparation for next month's Copenhagen summit of EC heads of government, Bonn seems as far as ever from following that advice.

Previous articles in this series appeared on October 29, November 4, 6, 12, 18 and 20.

AGRICULTURE IN THE EC
WEST GERMANY

Warsaw tries to hobble economic reform group

BY CHRISTOPHER BOBINSKI IN WARSAW

AN ATTEMPT by Poland's Economic Society to register formally with the authorities has stalled after an official demand that the group, which favours reform, limit its activities.

The group, many of whose *founders have a Solidarity* background, supports an expansion of the private sector and the application of market principles to the operation of state enterprises.

Its success so far in winning official support has lent credibility to the Government's commitment to economic reform. But *now the authorities have insisted* that the society drop plans to engage in business activities, including publishing. It also wants it to limit its activities to the Warsaw area and to allow any member to sit on its governing bodies and not just those who have business interests.

The official stance means that the society, which sees itself potentially as a strong, financially viable and independent group *representing its* members interests throughout the country, would be reduced to a mere debating society. Since September the society has set up branches in Torun, Lodz and Wroclaw.

●Despite paying $1.8bn in capital and interest to its creditors, Poland saw its hard currency external debt grow from $33.5bn at the end of last December to $36.3bn by the end of this year, *according to Mr Andrzej Dorosz*, Deputy Finance Minister.

Some $1.5bn of this year's debt growth was due to the fall in the value of the US currency, while around $1.5bn worth of payments falling due this year went unpaid and have had to be capitalised.

Next year, Poland expects to devote some $2bn to debt service payments, Mr Dorosz said. This year the value of hard currency exports *is* expected to reach $6.8bn, while imports are forecast to cost $5.9bn.

Zhivkov wants sweeping change in Bulgarian media

BY JUDY DEMPSEY IN VIENNA.

RADICAL CHANGES in the organisation of Bulgaria's media, including the closure of certain newspapers and magazines, have been proposed by President Todor Zhivkov. He was speaking at a *Communist* Party central committee meeting on November 13, details of which have just been published.

In a sharp attack on the media, Mr Zhivkov said many newspapers belonging to social and political organisations should be freed of the "paternalism" exercised by the leaderships of those organisations.

"Some newspapers are published because a number of high *officials* want to have ther own newspapers," he said. Many incompetent journalists worked for the press, radio and television, which "makes the transformation of the news media more difficult."

Mr Zhivkov went on to criticise Rabotnichesko Delo, the Bulgarian Communist Party daily newspaper, which he said should become a platform for all communists and not just a voice for *the top echelons of the party.*

Clearly, the authorities are dissatisfied with the pace of *glasnost* (openness) in the Bulgarian media. In September, an editorial in Rabotnichesko Delo criticised Bulgarian television for failing to promote *glasnost* and explain the restructuring taking place in the country.

The recent plenum also discussed changes in Bulgaria's administrative organisation as *well as alterations in the* electoral system which would allow more that one candidate to stand for the National Assembly.

These changes were outlined in the plenum held in July which has since become the blueprint for the Bulgarian reforms, many of which will be introduced next January.

Last month, Mr Zhivkov unexpectedly held talks with Mr Mikhail Gorbachev in Moscow in *which they discussed perestroika* or restructuring of the Bulgarian economy.

Slow progress seen at troop cut talks

BY JUDY DEMPSEY

NATO and Warsaw Pact countries looking at new ways to reduce conventional forces in Europe are slowly bridging their differences at regular talks in Vienna. However, crucial disagreements remain, according to Western diplomats.

Yesterday, the Soviet Union presented some additions and amendments to the draft document presented by Nato in July. In that document, Nato spelt out what it considered to be the objectives of the talks. These included strengthening stability and security in Europe by a variety of measures, most notably by the establishment of a stable and secure balance of conventional forces at lower levels.

The Warsaw Pact, *in its draft* plan presented in June, proposed that reduction of forces should be an end in itself. The Pact has also emphasised that a new forum for conventional stability talks should include discussions on tactical weapons, something which Nato consistently opposes.

Western diplomats expressed cautious optimism after yesterday's meeting. "The fact that the Warsaw Pact is making concrete suggestions to the Nato text and discussing in detail the objectives of such a new conventional arms forum is a sign of slow but steady progress," said one.

A new forum for reducing conventional arms will need a mandate from the Conference on Security and Co-operation in Europe, the framework in which the talks would eventually take place. Nato will make a response to the Warsaw Pact amendments later this week.

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FORECAST FOR ECONOMY DARKENED BY STOCK MARKET DECLINE

Bonn's wise men see 1.5% growth

BY DAVID MARSH IN BONN

THE West German economy is likely to grow by only 1.5 per cent next year, accompanied by a further small increase in both unemployment and inflation, according to the annual report from Bonn's independent council of economic advisers, published yesterday.

The report, written by the so-called five wise men, under the chairmanship of Professor Hans Schneider, says there are "no persuasive reasons" for the slowdown in the world economy to turn into a recession next year. But it, none the less, makes clear that the outlook for the West German economy has grown darker as a result of this autumn's collapse of international stock markets and the fall in the dollar.

Although the report may add to international pressure on the Bonn Government to stimulate the economy, Mr Martin Bangemann, the Economics Minister, yesterday claimed that it "confirmed" the economy was on a growth path.

The five wise men, in contrast to the country's five leading economic institutes which delivered their verdict on the economy last month, have stopped short of recommending earlier introduction of the planned 1990 tax cuts.

Yesterday's report, however, criticises the planned DM20bn(£6.7bn) worth of tax cuts in 1990 on the grounds that they are geared too much to improving incomes and not enough to boosting performance and investment.

It may add to worries about climbing West German budget deficits. The overall public sector deficit - counting central, regional and local government - is likely to rise next year to DM57bn from DM44bn in 1987. Assuming public spending goes up by 3 per cent annually in the next few years, and economic growth of 3 per cent - an over-optimistic assumption in present conditions - the tax cuts are likely to boost the overall deficit to DM85bn in 1990.

The report adds that the number of people out of work is likely to rise by 70,000 on average next year to 2.31m from the projected 1987 average of 2.24m. The 1986 figure was 2.23m.

The likely 1.5 per cent growth rate in gross domestic product next year is the same as the expected growth this year, it says. These figures are the same as current projections from the Organisation for Economic Co-operation and Development.

Private consumption is likely to rise by 2.5 per cent in real terms next year, says the report, the same as 1987, with overall capital investment growing only 1.5 per cent (same as 1987). The report foresees a slight acceleration in consumer price rises, with the inflation rate likely to edge up to 1.5 per cent during the course of 1988, compared with 1 per cent this year and a price fall of 0.5 per cent in 1986.

The West German business climate improved in October despite the dollar's drop and the share price crash in the second half of that month, the IFO economic research institute said in its latest report, Reuter reports. It said the first poll conducted after the crash on October 19 showed the improved climate was based not so much on actual business as in good forecasts for the next six months. The companies questioned said they were more optimistic for exports in the next three months than they were in September's poll.

Two-week deadline to repair TV satellite

BY PETER BRUCE IN BONN

WEST GERMAN engineers controlling Europe's first direct broadcasting satellite (DBS), were trying desperately yesterday to correct a fault which threatens to halve the output of the DM1bn (£336m) vehicle, which was launched at the weekend.

One of TV-SAT 1's two 20 metre-long solar panels, which generate its power, failed to open properly soon after the launch and the satellite's operators said yesterday that ground control in Oberpfaffenhofen, near Munich, was planning a special manoeuvre to try to unjam it.

The stuck panel threatens to ruin not only years of technical preparation but also three hard years of political bargaining among West German states about who should be allowed to use the satellite's four television channels and under what conditions.

If the panel fails to unfold properly, then only two channels would be operable and a new, and probably lengthy, round of negotiations about who could use them would then become inevitable. States ruled by the Social Democratic Party (SPD) will insist that at least one public channel remains open. There are, however, two new, private, commercial programmes which would have used TV-SAT 1 as well.

It is also possible that the two channels affected by the solar panel failure could be used to broadcast digital radio, which requires less power than television.

Eurosatellite, the Franco-German consortium which built TV-SAT 1, said yesterday that engineers still had about two weeks in which to free the stuck panel, after which it would become technically impossible.

TV-SAT 1's difficulties represent yet another embarrassment for the West German telecommunications monopoly, the Bundespost, which has spent more than DM10bn in the past three years preparing the country for the advent of West German commercial cable satellite television.

Connections into the cable network already on offer through a Bundespost telecommunications satellite have been extremely low, and the Bundespost has also been criticised for designing TV-SAT 1 to a transmission norm no West German television set can receive without first fitting a new, but unavailable, part.

Raymond Snoddy adds: The assembly of parties of the European Telecommunications Satellite Organisation (Eutelsat) has formally given the go-ahead for Astra, the private sector 16 channel television satellite project based in Luxembourg. The satellite which will cover all of Western Europe is due to be launched next July.

Number of French investors triples

AN AMBITIOUS privatisation programme has made France the second-largest nation of small shareholders after the United States, Reuter reports from Paris.

About 9.5m French people - or one in six - now hold stocks or bonds, triple the number a year ago, according to estimates published by the Bourse advisory committee (COB).

The US, with 47m shareholders or one in five, heads the list. Estimates put the number of Japanese shareholders at around 8.5m, with Britain possibly as high as 9m.

The French flooded to the Bourse to take advantage of bargain issue prices when the conservative government's privatisation programme began last year.

Mr Edouard Balladur, Finance Minister, said last month that between 5m and 6m people had bought shares since the programme was launched.

Prime Minister Jacques Chirac's government plans to sell to the private sector some 65 groups and insurance companies by 1992. About a third of the programme has been completed, bringing in FFr62.5bn ($11bn).

But the recent slump in stock markets has forced the government to rethink its strategy.

Mr Balladur said on November 10 that the planned sale of insurance group Union des Assurances de Paris (UAP), originally scheduled for next month, would not start before early next year.

UK ideas on food surpluses stick in other EC throats

BY TIM DICKSON IN BRUSSELS

BRITAIN's latest proposal for getting rid of Europe's surplus food stocks met with a predictably cool reaction in Brussels yesterday when it was outlined to the European Community's foreign ministers by Sir Geoffrey Howe.

The plan, first floated by Mrs Margaret Thatcher in an interview in yesterday's FT, would involve member states agreeing to write off the costs of disposal on their own national budgets and not (as currently proposed by the European Commission) on the Community's own budget.

Sir Geoffrey repeated yesterday that such a scheme would "produce a clean slate" and would allow the cost of disposal, which is estimated by the Commission at about Ecu7bn (£4.9bn), to fall where it lies.

British officials emphasised, however, that the new idea was designed as a complement to the current proposals for agricultural stabilisers, and not as an alternative. Britain indeed remains as firmly committed as ever to the ideas for automatic price cuts and subsidy reductions which continued to divide the Community's farm ministers at a separate meeting yesterday and which it believes are essential if EC spending on agriculture is to be controlled in future.

The British idea formally floated yesterday is intended to deal with what is really a separate issue - stocks in the Community's stores which have built up over the years and which exercise a depressive effect on world commodity markets.

Figures provided by the Commission yesterday showed that at the end of last month there were just over 1m tonnes of unwanted butter, 708,000 tonnes of surplus skimmed milk powder, 725,000 tonnes of beef and more than 10m tonnes of cereals in Community stores.

They have a book value of Ecu10bn - essentially the cost of the guaranteed prices Brussels paid to the farmers who produced them - but are estimated to be worth only about Ecu3bn on world markets.

The question is what to do about this gap, which at the moment represents a serious potential liability for the Community budget. Member states currently pay the initial costs of "intervention" but are reimbursed by the Community when the surplus commodity is sold out of the store (at a loss).

The Commission's current proposal is to include the Ecu6bn costs of disposal over the next five years within the agricultural guideline of the budget. Britain's argument, however, is that this will boost the guideline, so that by 1992 it will be above the CAP's spending needs and will exert pressure for higher overall spending, threatening to delay the better balance between agriculture and non-agriculture spending.

The British alternative, that these costs should be nationally financed, was criticised yesterday by Mr Jacques Delors, the Commission president, as too complex to administer and by those member states who fear they would end up paying more.

West Germany, for example, is thought to be strongly against because it has a disproportionate share of (notably) butter and skimmed milk powder in its stores; Ireland voiced strong disapproval on the grounds that it represented a partial renationalisation of the CAP.

West Germany's objection is strengthened by the fact that surpluses from other member states frequently end up in its stores because of monetary and exchange rate distortions.

The Mediterranean countries, notably Spain and Portugal whose stocks are relatively small and who feel that the Community's food mountains are not their responsibility, are likely to be more enthusiastic

Sir Geoffrey Howe (right), Britain's Foreign Secretary, pictured at the talks in Brussels yesterday with his Danish counterpart, Mr Uffe Ellemann-Jensen (left) and Belgium's Secretary of State for Agriculture, Mr Paul de Keersmaeker.

Police break up meeting of Charter 77

CZECHOSLOVAK police broke up a meeting of the Charter 77 human rights organisation in a Prague apartment on Sunday after smashing down the door, Reuter reports from Vienna.

The action was described as virtually unprecedented. Charter 77 and other human rights activists in Czechoslovakia are known to hold regular private meetings, with police keeping watch but normally not intervening.

More than a dozen people were detained by police after they raided the house of Charter spokeswoman Libuse Silhanova, emigres say. Among those said to have been arrested were the former Foreign Minister, Mr Jiri Hajek. All were released later.

Between 20 and 30 human rights activists were in the apartment when the police arrived. Those not taken away for questioning were ordered to leave the premises.

Hungarian loan

West Germany said in October that it would guarantee a Hungarian borrowing in the Eurodollar market, not East Germany as stated in the Financial Times yesterday.

Norwegian police probe fraud claim at bank

BY KAREN FOSSLI IN OSLO

NORWEGIAN POLICE successfully applied to the courts yesterday to extend the custody of Mr Philippe Hecker, a French national and former senior share-trader with the Den norske Creditbank (DnC), Norway's largest bank. Mr Hecker was arrested at the weekend in connection with the country's fraud laws.

His arrest followed a complaint lodged with the police by DnC just weeks after the bank suspended him for unauthorised trading.

Last week two heads of the bank's share trading division resigned their posts following revelations that DnC stands to lose some NKr1bn (£88m) on share-trading transactions which took place this year.

In early November the bank issued a statement regarding the depreciation in value of its shareholdings, including, it said, those resulting from unauthorised transactions in equity-linked instruments on foreign exchanges.

DnC has realised losses of NKr200m but it says there is a potential foreign portfolio loss estimated at NKr800m. The bank intends either to realise these losses or write down the value of its foreign share portfolio.

Leader for Polish group

THE newly formed Polish Socialist Party elected a longtime anti-government activist as its chairman at a weekend meeting in a secret location, AP reports from Warsaw.

Mr Jan Jozef Lipski, a historian and literary critic who in 1976 co-founded the human rights group KOR, and who also was an adviser to the banned Solidarity free trade union, was elected on Sunday, a spokesman for the group said.

Police a week earlier broke up a meeting of the Socialists and a subsequent news conference with foreign reporters. Government spokesman Mr Jerzy Urban said earlier that the group was an illegal association in violation of Polish law.

"We are not going to accept the decision that we are an illegal organization," said party spokesman Mr Jerzy Kolarzowski. There was nothing in the law banning the formation of political parties.

Japan, EC submit patents proposals

JAPAN and the European Community yesterday submitted to a negotiating group of the General Agreement on Tariffs and Trade proposals for protecting patents, copyrights and trademark rights against abuse, **Reuter reports from Geneva.**

The papers were presented to a closed-door session of a special group set up under the Gatt Uruguay Round to agree international standards to deter piracy.

The International Chamber of Commerce in Paris has estimated that abuse of intellectual property rights amounts to $60bn a year.

Tokyo's plan suggests the duration of a patent be at least 15 years, while protection of literary, scientific, artistic or musical works should last the life of the author, plus 50 years.

In the case of semiconductor integrated circuit layout rights, Japan said protection should be at least 10 years from the date of registration. Registration should be completed within two years from the first commercial exploitation. "Sufficient sanctions should be imposed on an infringer of intellectual property rights," Japan said.

A country should not take unilateral action against an infringer, but take its case to a Gatt dispute-settling mechanism, according to the Tokyo proposal.

The EC proposal, described as an "initial contribution", stops short of recommending standards or duration times.

US service sector claims everyone a winner from free trade

Peter Montagnon talks to the chairman of American Express about the Gatt round

OF ALL the issues in the current Uruguay round of multilateral trade liberalisation, trade in services is one which has been espoused with special vigour by the Reagan Administration, in spite of initial reactions ranging from indifference and perplexity to outright opposition elsewhere.

A cynical explanation, not uncommon among European trade experts, is that this is simply because the US service industry lobby presented the US Trade Representative with an all too rare gift - a plausible cause to plead.

Not surprisingly, this is a view firmly rejected by Mr James Robinson, chairman of American Express and one of the leading US private sector advocates of free trade in services.

Liberalising trade in services would benefit everybody by increasing the size of the overall market, he says in the wake of the launch of formal US proposals on services in the General Agreement on Tariffs and Trade, earlier this month. It is not just a question of gratifying specific demands from a narrow lobby of interested companies, but a sweeping change designed to reflect the way world economic development is proceeding.

Already, he says, the focus of trade policy has been changed by the debate. It was US action under Section 301 of its trade law that forced South Korea to open its market to US insurance companies. "Had the US Trade Representative not been willing to adopt goods-type procedures, that wouldn't have happened."

Clearly, American Express, with its activities in financial services, tourism and insurance, is a self-interested party. It would like, for example, to be allowed to introduce a local-currency credit card in Taiwan and although Taiwan is not a member of the Gatt, the US case would be bolstered by an agreement on services in the Uruguay round.

Yet, according to Mr Robinson, the services issue has much broader ramifications. Take telecommunications, traditionally a highly protected and regulated industry. American Express is not in the telecommunications business, but its business is heavily dependant on communications.

In some countries - which he would not name, although West Germany and Japan spring readily to mind - Mr Robinson said his company had been "harassed" by telecommunications authorities restricting the kind of equipment that may be hooked up to telephone lines, and by discriminatory pricing.

Moreover, international liberalisation, he says, can bring the benefit of domestic deregulation in its train. One practical advantage to American Express of the recent US-Canadian free trade deal is that it will allow its IDS financial services unit to operate in Canada. IDS, which among other things sells life insurance, has not been able to do cross-border business. Under the new agreement, "it'll still have to establish (a presence there) but we've got greater opportunity to do so."

On the other hand the agreement has also opened up a crack in the Glass-Stegall separation of commercial and investment banking in the US, since Canadian banks will be able to underwrite Canadian securities in the US. This, Mr Robinson believes, can only add to the pressure for deregulation of the US banking system.

One of the root motivations behind the US move to liberalise world trade in services, he adds, has been the EC attempt to establish an open internal market from 1992. Much of this initiative is about services, he says, "and there's a growing concern on the US side that it's going to result in a closed market for everyone else."

So far, so good, but isn't there still a degree of wishful thinking and even hypocrisy about the debate on trade in services so far? European trade economists frequently point to the lack of a strong European corporate lobby on services. They say the US plan is ill-thought out and designed primarily to benefit a narrow segment of the services sector regardless of the cost to everybody else.

After all, there are service industries in the US, like air transport, for example, which might shrink from the notion of free international competition. It was also the refusal of the US to unwind the protection afforded to its coastal shippers under the Jones Act that blocked a transport agreement in the US-Canadian free trade talks.

Some US service industries might be unwilling to give up protection, Mr Robinson acknowledges, but that does not alter the validity of the overall objective. The intellectual debate on procedures for liberalising trade in services is only just beginning. "We ought to be able to do as well as in the goods area from the point of view of adjustment assistance and yet have 'degressivity' built into the system."

In an address this month to the Royal Insitutue of International Affairs, Mr Clayton Yeutter, the US Trade Representative, argued that there should be no need to negotiate reciprocally on the principle of free trade in services since it should be of equal benefit to all, but he acknowledged that the kind of horse-trading which characterises Gatt negotiations on goods might well come into play once discussion moved on to specific sectors.

It is a view echoed by Mr Robinson. He envisages a framework agreement of principles which at the least would impose a standstill on protectionism in services, followed by sectoral negotiations aimed at rolling back barriers already in place.

That might still involve a long uphill struggle, but Mr Robinson is unshakable in his conviction that the cause is righteous, simply because it would lead to a growing demand for the services he sells.

James Robinson

"I'm far better off doing everything I can to respond to primary demand and only second to increase my share in the market. If you don't have a primary market that's growing, then the fight for market share becomes much more acute."

Mitsubishi to sell National Semi chips

BY LOUISE KEHOE IN SAN FRANCISCO

NATIONAL Semiconductor, one of the largest US chipmakers, has signed an agreement with Mitsubishi Electric giving the Japanese electronics company the right to sell National's most advanced microprocessor products in Japan.

The US company said that Mitsubishi would become "in essence our Japanese distributor". Mitsubishi says that it will begin sales of the US-made chips next month.

Although second-sourcing and technology exchange agreements between US and Japanese semiconductor manufacturers are common, the arrangement between National and Mitsbushi is unusual in that it does not license Mitsubishi, itself a major semiconductor producer, to manufacture the *US-designed* chips.

Instead, according to Mitsubishi, the Japanese company will import National's 32,000 series 32-bit microprocessors plural and related software over the five years of the agreement.

According to US analysts, other US chip producers have so far resisted forming distribution arrangements with the major Japanese electronics companies.

By breaking ranks, National hopes to improve its penetration of the 32-bit microprocessor market in Japan, which is dominated by Motorola.

Egypt soon to seek tenders for $1.7bn power station

BY TONY WALKER IN CAIRO

EGYPT expects by early next year to call for tenders for a $1.7bn power station and coal transhipment port on its Red Sea coast.

Mr Maher Abaza, Egypt's Electricity Minister, said that priority was being given to the 2,600 megawatt Zafarana project within Egypt's second five-year plan, from 1987 to 1992.

The minister said the Zafarana site, 200 km south-east of Cairo, was being prepared. One of the tasks was to clear mines from the area.

World Bank assistance amounting to about 15 per cent, or $250m, of the project cost covering civil works was being sought.

Australia is providing about $1.5m for a detailed study of Zafarana and other sites in Egypt for coal-fired power stations. The electricity commission of New South Wales is advising the Egyptian Electricity Authority on specifications for Zafarana.

Egypt is considering constructing a replica of a 2,600 megawatt coal-fired power station operating near Sydney to save on design costs.

The Australians are seeking guaranteed long-term markets for coal and are anxious to see the Zafarana project with its coal-loading facilitiy proceed.

The Australian Government, in partnership with state governments, is looking at ways in which it can support the transhipment port element of the Zafarana project.

Cost of the port's first stage, which would have a capacity of about 7m -8m tonnes a year, would be between $200m and $300m. It is planned eventually that Zafarana would be able to handle 12m-15m tonnes of coal a year.

Egypt is hoping that a preliminary tender, which would not include specific performance details, will attract strong international interest.

The Egyptian Government will be seeking maximum financial support for the ambitious Zafarana project. Among big foreign companies who have shown an interest are Siemens of West Germany and General Electric of the US.

US army order for Israeli defence group

By Judith Maltz in Jerusalem

A LEADING Israeli manufacturer of defence electronics has been awarded a contract, potentially valued at about $100m, to supply the US Army with simulators for its Conduct of Fire Trainer (Coft) programme, which involves training in tank fire control systems.

Elbit, which specialises in navigational flight systems and fire control systems, said winning the contract had special importance, given the recent cancellation of the controversial Lavi fighter bomber project, for which the company was to have produced various systems.

In the first stage of the contract, the Israeli company - one of the country's few defence enterprises to continue to show profits - will supply the Pentagon with 16 simulators, worth $12.5m, to be delivered in the first half of 1989.

Elbit said that if the US chose to exercise all the options included in the contract, its value could reach $100m within four years.

This is the second contract Elbit has been awarded directly from the US Army, which has in recent years taken the place of the Israeli Defence Ministry as the company's largest customer.

Suzuki seeks to lift Indian car stake

BY JOHN ELLIOTT IN NEW DELHI

SUZUKI of Japan has told the Indian Government that it wants to exercise its right to raise its equity stake in the five-year-old government-owned Maruti Udyog car company from 26 per cent to 40 per cent.

This would involve a cash investment of $14m. The money would help to cover the $27m foreign exchange cost of imported capital goods needed to introduce a new 1000cc Suzuki car, which Maruti hopes the Government will approve soon.

Maruti produces about 100,000 800cc vehicles a year. When launched in 1983, this was India's first mass production car for about 25 years. Although relatively fragile for India's uneven roads, the car has been a success and the Japanese company is satisfied with the quality and gradual change-over to Indian-made components.

Suzuki has the right under its original 1982 partnership agreement to raise its stake within five years to 40 per cent, the normal maximum for foreign investment in India.

This has caused some controversy because of inherent opposition in India to foreign involvement. However, the Government has no legal right to block the move, which would be implemented by Maruti increasing its total authorised share capital.

The Government's stake in the company would go down from 74 per cent to 60 per cent.

Suzuki has not made its move conditional on the government approving the 1,000cc car. But if approval for the new car were not granted, there would be no need for the injection of foreign exchange.

The Government has been delaying approval of about a dozen new foreign car projects because of concern about foreign exchange costs of joint ventures with Suzuki and other Japanese two-wheeler and light commercial vehicle companies,

But it is expected to approve the Maruti 1000cc car

Paraguayan leader retains power

BY TIM COONE

PARAGUAYAN President Alfredo Stroessner appears assured of yet another five-year term of office, despite growing disarray and fragmentation within the ruling Colorado Party, after the General was nominated at the weekend for next year's elections.

The party is now split into at least four factions, the majority of them opposed to the continuation of General Stroessner, 75, in the seat of power and the highly personalised style of government that has come to characterise his regime.

Suppressing internal dissent, however, the faction supporting the General held a party convention at the weekend at which 870 delegates under heavy police and army protection, made a series of obsequious speeches and decided, without taking a vote, to nominate him yet again as the presidential candidate. The elections are due to be held on February 14.

Only two opposition parties have legal status and are able to contest the elections, while the numerous other parties which are more active in opposing the Government, have faced constant repression and a number of their leaders are presently imprisoned.

Alfredo Stroessner

An opposition campaign is under way to persuade voters to either abstain or leave their ballot papers blank as a form of protest at the lack of civil liberties and against what is widely expected to be an electoral fraud.

In a warning to the opposition, General Stroessner said during his acceptance speech: "Liberty does not give the right to promote disorder or to propagate ideas contrary to social harmony or to propose electoral abstention, which is a serious violation of the constitution. To incite abstention or to leave a ballot blank, is to be on the road to subversion, is to be on the tortuous path to violence, is to be in a totalitarian plot."

General Stroessner came to power in 1854 through a military coup.

Long-shot Simon joins the front-runners

SENATOR Paul Simon of Illinois - once dismissed as a long shot - has rapidly become a front-runner in the race for the Democratic presidential nomination, **writes Lionel Barber in Washington.**

A week ago he took the lead in Iowa, the state with the first primary election next February. A new poll shows him in second place in New Hampshire.

Nationally, Senator Simon still ranks third - behind Rev Jesse Jackson and Governor Michael Dukakis of Massachusetts - according to a Gallup poll. But this is largely influenced by name recognition, and two early successes in Iowa and New Hampshire would guarantee instant fame and media attention.

Senator Simon, 58, is best known for his bow-tie, horn-rimmed spectacles and a carefully honed image of honesty, reliability and authenticity. He calls himself an old-fashioned liberal, and is an outspoken supporter of new social programmes and public works.

His recent rapid rise in Iowa and New Hampshire has already drawn fire from his Democrat opponents. Several have asked how he reconciles his pledge for higher domestic spending with his promise to balance the Federal Budget deficit within three years.

The Democratic Party leadership - *desperate to find* a presidential candidate with national appeal - is worried about Senator Simon's liberal views on defence. The Illinois Senator would scrap the MX ballistic missile, abandon President Reagan's Star Wars missile defence system, stop military aid to Central America, and cut defence spending.

But Senator Simon's campaign staff are betting that their candidate will appeal to the liberal activists who dominate in the Iowa caucuses. The New Hampshire primary follows a week later, and if Senator Simon could manage second place behind Governor Dukakis (from neighbouring Massachusetts), he would be well placed for "Super Tuesday", when 20 states, 14 of them in the south or border states, hold their primaries.

Garcia's stock takes a tumble

Support for Peru's President has slumped after his use of tanks to enforce bank takeovers, reports **Barbara Durr**

PERUVIAN PRESIDENT Alan Garcia's controversial move to nationalise the private financial sector has backfired and he is paying a heavy price for what is widely considered a political and economic blunder.

Mr Garcia, who restored hope for many Peruvians when he came to office in July 1985 at the age of just 36, has dramatically lost popularity and credibility. According to one poll, his approval rating dropped from 68.5 per cent in June, just before he announced the nationalisation, to 47.2 per cent in September. The tumble is even more remarkable compared with the time of his election, when he commanded an unprecedented 96.4 per cent approval rating.

Another recent poll showed that public disapproval of the nationalisations was at its height during the violent takeover of Peru's top two private banks and a finance company by heavily armed riot police using tanks, tear gas and smoke bombs.

Since those seizures on October 14, three days after the law was promulgated, the nationalisations have been bogged down in a series of contradictory lower court decisions on their constitutionality, which higher judiciary bodies have yet to sort out. However, Mr Garcia backed away from taking more banks by force and said he would leave the matter to the courts.

Meanwhile, bankers have largely undermined the law by selling off stock in packages under the law's limit on private share ownership, which is 40 tax units, or about $15,000 (£8,820) at current tax and exchange rates. In this way, the banks have averted expropriation.

The Banco de Credito, Peru's largest private bank and considered to have been Mr Garcia's prime target, sold just over half its shares to its employees to prevent the bank from passing into state ownership. About 5,000 workers have purchased packets of stock of less than 40 tax units.

The sale totalled roughly $15m, three times the bank's annual earnings. The shares, which were valued by Price Waterhouse accountants at 10 intis a piece (about 30p at the official exchnage rate), were sold to employees at 3.8 intis a piece, according to Mr Juan Francisco Raffo, formerly the Banco de Credito's general manager and one of its main owners.

The Government has tried to scuttle the sale for a month, using a series of bureaucratic manoeuvres, but the transaction was legally completed on November 10. The Peruvian National Supervisory Commission for Companies and Stock has declared the sale invalid because it says a stock exchange regulation was violated. But Mr Jose Luque, director of the stock exchange, and a phalanx of lawyers have contended that the sale is perfectly legal.

A bizarre twist to the stock sale tussle is that key government officials gave Mr Raffo a green light on the transaction. One leading ruling party senator even called Mr Raffo when he heard of the sale on October 12, saying he was opening a bottle of champagne to celebrate the resolution of the nationalisation controversy.

But given the often highly personalised and venomous politics of Peru, the Government's reversal is explained as Mr Garcia's anger over a scandal that involves his alleged purchase of a private home for double the amount he claimed. Mr Garcia would be guilty of tax fraud should the charges be proven. Central to the scandal are two cancelled Banco de Credito cheques written by Mr Garcia which were divulged to the press on the day of the stock sale. Thus, the story goes, Mr Garcia in retribution went back on his approval of the deal.

Mr Raffo now says he believes that the Government will allow the Banco de Credito's workers to keep the bank. The Government is under stiff pressure to resolve the issue. the main business associations claim that vast numbers of credit transactions are being held up because of chaos at the Banco de Credito, which dominates Peru's private banking with three times the capital in reserve as its nearest competitor. The Government has periodically frozen the bank during the last month and workers have also fought Government control with several days of sit-down strikes.

Four of the other 10 affected banks, the Banco Latino, Banco Financiero, Bandesco (Banco de Desarrollo y Construccion) and Banco de Comercio, have also sold large portions of their stock to avoid expropriation.

Mr Jorge Picasso, for example, president of the Banco Latino, Peru's fourth largest private bank, said that nearly 70 per cent of his bank's shares had been sold in packages of less than 40 tax units. Referring to Mr Garcia's complaints that credit was concentrated in too few hands, Mr Picasso bitterly remarked: "If the Government wanted broader ownership, they've got it."

The two small private regional banks covered by the nationlisation, Banco del Sur and Banco Regional del Norte, have agreed to comply with the law's 70 per cent limit on private shareholding for regional banks.

This leaves only three banks, Banco Wiese (seized violently along with Banco de Credito), Banco de Lima and Banco Mercantil, subject to expropriation.

Mr Pardo, the president of the Banco Mercantil who slept in his office for a month to protest against the nationalisation law, refused to sell his bank's stock "as a matter of principle." He puts faith in the eventual repeal of the law as unconstitutional. And he smiles as he says: "This is a political disaster for President Garcia."

Cubans stage fresh jail protest over deportation

BY OUR WASHINGTON STAFF

CUBAN refugees in US prisons yesterday continued violent protests against possible deportation to their homeland under an exchange deal announced last week between Washington and Havana.

Fires broke out at the federal prison in Atlanta, Georgia, where 1,500 Cubans are being held. The incident followed a prison break-out at the weekend by Cubans in Laredo, Texas, and a riot coupled with hostage-taking at Oakdale prison in Louisiana.

The Cubans, most of them convicted criminals and mental patients, came to the US in 1980 when Fidel Castro expelled hundreds of delinquents.

They are protesting against an agreement between the US and Cuba whereby Cuba will take back 2,500 of the 125,000 refugees. In return, the US will allow entry to 27,000 Cubans a year.

The deal stems from Cuba's desire to reduce its population in order to ease its economic difficulties. The US is keen to return the Cuban delinquents. It was signed in 1984, but fell apart after the Reagan Administration opened Radio Marti, a Spanish-language news service aimed at countering Cuba's communist-controlled media.

Neogtiations are continuing over the radio service. But the focus has shifted now to the Cuban refugees.

In Oakdale, the Cubans burnt four buildings and took 28 hostages but later released six. Teams of negotiators from the FBI and the Immigration and Naturalisation Service held talks with inmates.

Suriname strongman to ignore poll verdict

A new constitution in the former Dutch colony provides for both elections and military rule, writes Canute James

SURINAME goes to the polls tomorrow, but the outcome of the first election since a military coup seven years ago is unlikely to make much difference to the administration of Commander Desi Bouterse.

He says the election will not interrupt the "revolutionary process" started by his administration, regardless of the outcome.

Surinamese recently approved a new constitution for the former Dutch colony of 400,000 people, clearing the way for election. The leaders of the major political parties say if they win they intend to keep the military out of politics, despite sections of the constitution which appear to give the army a basis for continued intervention.

Commander Bouterse is a member of the National Democratic Party, which is backed by the army, and which has won increased support in recent weeks. The main challenge will be from the Front for National Democracy and Development, a coalition of three parties representing the Indian, Indonesian and African sections of the society.

The US, which has viewed Colonel Bouterse's friendship with Cuba and Libya with unease, is worried about the army's post-election powers. Mr Elliott Abrams, the US Assistant Secretary of State, said recently that Suriname's new constitution allowed the military a higher degree of power and privilege "than is consistent with normal standards of democracy."

But Surinamese politicians, businessmen and labour leaders who successfully urged support for the new constitution, have tended to overlook sections which say the army would "work for the liberation of the nation," and that the military should guarantee conditions for "a democratic and socially just society."

The three-party coalition is confident that it can garner enough votes to prevent the army-backed party from taking office.

Mr Henk Aaron, leader of the National Party, and a former prime minister who was overthrown by Commander Bouterse, says the coalition is confident it can gain the majority. "They (the army) have the resources - the money - but we have the people to vote."

The increasing support for the National Democratic Party has been attributed by diplomats to the army's successes in clashes with rebels who have fought for 15 months in an attempt to topple Colonel Bouterse.

The rebel group, the Jungle Commando, is led by Mr Ronnie Brunswijk, a former bodyguard to Commander Bouterse. Operating in the east of the country along the border with French Guiana, the rebels inflicted heavy damage to economic targets including the bauxite-mining and aluminium industry, the backbone of Surinames economy.

The Jungle Commando is backed by Surinamese politicians exiled in Europe.

The operations of the rebels have provoked a minor crisis in the government. Mr Jules Wijdenbosch, the Prime Minister and head of the National Democratic Party, has submitted his cabinet's resignation to Commander Bouterse, in protest at the decision to conduct elections in three eastern districts where the rebels are active.

The army leader has refused to accept the resignations, saying voting will be held in all districts. Government officials say postponing the election in the three districts would represent a victory for the rebels.

Dealing with the insurgency and the deepening economic problems of the country are becoming the major issues in the election campaign.

The Aluminium Company of America, the larger of two companies running the industry, says it will not consider reopening the smelter until January. The economy, which declined by 1 per cent last year, is expected to fall by 7 per cent this year.

Elliott Abrams: military too powerful

Japanese high motivation challenged

BY Jimmy Burns, Labour Staff

THE popular image of Japanese workers as highly motivated is challenged in a survey published this week by ISR, the European arm of the Chicago-based International Survey Research Corporation, a leading attitude research company.

The survey, covering employee attitudes worldwide, found that Japanese workers' perceptions of their working conditions compared unfavourably with those of their European and North American counterparts.

According to the survey, work organisation was found to be least satisfactory by the Japanese (56 per cent gave a positive response) and most acceptable by the Dutch (69 per cent), Canadians (68 per cent) and British (66 per cent).

The Japanese compared unfavourably with the other nations surveyed in terms of how they perceived pay (36 per cent favourable), benefits (30 per cent), training and information (44 per cent) and company identification (59 per cent).

Issues relating to pay, training and communication were regarded most favourably by the Dutch and West Germans. The Canadians came out best on benefits (77 per cent) and relations with their "immediate boss" (67 per cent).

ISR's client base covers 11.5m employees in 650 companies worldwide. Its findings have been aggregated from recent client surveys, including one conducted by a Japanese research unit to which unions and most companies are affiliated.

"It is clear...that Japanese employees typically have more negative reactions to their work situation than their counterparts in Europe and the US," ISR concludes.

The apparent paradox could be the result of the higher level of expectations generated among Japanese employees.

"Expectations of the rewards Japanese companies should provide are therefore higher, with considerable emotional investment being made by employees in their work situation. As a result, levels of satisfaction with work as it is actually experienced are likely to be lower," ISR says.

Employee Attitudes towards their Employers - an International Perspective, 11-12 Buckingham Gate, London SW1E 6LB

Wong Sulong reports that Malaysia's economy is dependent on reluctant foreign investment

Mahathir sets out to restore sagging business confidence

DR Mahathir Mohamad, the beleaguered Malaysian Prime Minister, faces the task of reviving business confidence after the recent security crackdown which tightened his political grip on the country.

Success in this area is crucial to the national economy, being kept afloat at present by the good fortune of higher commodity prices.

In two policy speeches last week, the Malaysian leader put across three powerful messages in no uncertain terms.

The time has come, he said, for politicians to stop politicking; the diverse races to stop squabbling over the sharing of the nation's wealth; and for local businessmen, mostly Chinese, to accept the Government's sincerity in attempts to revive the economy and respond by ensuring the private sector takes the leading role.

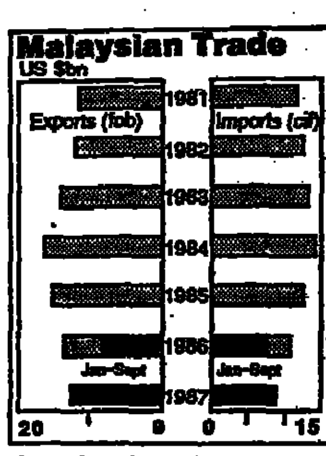
As an export-orientated economy, Malaysia is particularly vulnerable to the threat of recession in the industrialised world.

The Treasury's latest economic report shows Malaysia is slowly emerging from the 1985-86 recession. Growth of 2 per cent in gross domestic product is expected for this year and 4 per cent next year if commodity prices hold steady.

The country's two external concerns - its $19.5bn external debt and the balance of payments - are being brought under control. For the first time since 1979, the country expects a balance of payments current account surplus of $800m this year.

The Government justifiably can take credit for exercising financial discipline. Dr Mahathir said the Government would continue to maintain financial discipline, in spite of calls to reflate, and hoped to balance its budget by 1989.

Despite the liberalisation and the broad range of new incentives for the private sector, investors' confidence has been shaken by the spate of political and financial scandals and the power struggle within the ruling United Malays National Organisation.



Between 1981 and 1986, private investments outside the oil and gas sector declined at an average annual rate of 2 per cent.

Unless this trend is reversed, Malaysia cannot address itself to the deeper structural changes needed to ensure that its prosperity is not dependent on volatile commodity prices.

Even at economic growth rates of 3 or 4 per cent, Malaysia will be facing rising unemployment. Now at 9.5 per cent, unemployment is expected to reach 12 per cent by 1990.

Unemployment among university graduates poses a serious political problem for the Government as most of them are Malays. There are now 46,000 unemployed graduates and the numbers could reach 100,000 by 1990.

Regional surveys conducted by international consultants and business groups in recent years have downgraded Malaysia as an investment centre. Within the Association of South East Asian Nations, Malaysia is now rated below Singapore, Thailand and Indonesia.

Of late, the government-controlled local press has been trying to instil confidence with optimistic reports about foreign investment plans, but the fact remains that too few investors will seriously consider Malaysia while vital elements of national life are unresolved.

Malay unity is vital for political stability and the division within Umno has to be bridged. However, the crackdown has broken the temporary truce within Umno and there are signs that the party may be undergoing a major political realignment.

While the detention without trial of 103 people, including Lim Kit Siang, the parliamentary opposition leader, and the closure of three newspapers, is interpreted by some as a blow to democracy, the action has had the immediate effect of avoiding an imminent racial clash between the Malays and Chinese, something which could set the country back many years.

Dr Mahathir has demonstrated, in a most dramatic way, the enormous powers of the prime ministership. For the first time since last April's bitterly fought Umno elections (in which he retained the presidency by a narrow margin) he is on top of the situation and the opportunity exists for him to initiate some form of reconciliation with his opponents within Umno.

Business confidence would also be boosted by a clear, unequivocal government position towards the controversial aspects of the new economic policy.

But the policy's targets, which include a 30 per cent Malay ownership of the corporate sector, have not been achieved and the Malays are dependent, more than ever before, on government largesse.

Our Kampala correspondent reports on a woman rebel leader possessed by the spirit of an Italian

Alice and her Holy Force wage war in Uganda

ALICE AUMA, a slim 27-year-old Acholi woman from northern Uganda, was possessed by the spirit "Lakwena" on 16 May 1985. In August 1986, she was recruited by a faction of the Uganda People's Democratic Army (UPDA) rebel group. It had 150 soldiers and 105 guns. Thus the Holy Spirit Mobile Force was born.

One year ago on 12 November 1986, Holy Spirit rebels launched their first assault on National Resistance Army (NRA) Government troops at Corner Kilak in East Acholi district. That attack marked the beginning of Uganda's strangest war in which the NRA says that up to 7,000 rebels have died.

Since then, Alice has masterminded numerous rebel attacks on well-defended NRA barracks and garrison towns in a 300-mile campaign that has stretched all the way from Uganda's northern border with Sudan to Jinja, 50 miles east of Kampala.

According to NRA soldiers, most rebels have guns but they never take cover. Others are armed only with stones which they believe will explode into grenades. They oil their skins in the hope that NRA bullets will slide off them. If they refuse to fight, they are killed by Alice's brutal "Operations Group".

In the past month the Holy Spirit Force, fighting on unfamiliar ground with no popular support, has disintegrated in the face of a major NRA offensive. Many Nilotic rebels have been either captured or killed by hostile Bantu civilians and other rebels are on the run.

The NRA recently attacked a 200-strong rebel group south of Iganga, a town now at the heart of the war about 80 miles east of Kampala on the main road to Kenya. Alice is said to be hiding in densely forested swamps to the north of Tororo. She was wounded in the leg last week.

Four of her closest aides have recently been captured. Lt Col John Kennedy Kilama was her senior military adviser; Professor Isaac Newton Ojok, an Education Minister in ex-President Milton Obote's government (1980-85), would perhaps have been President of her interim government; Major Labong led her crucial Operations Group which recruited rebels by force, murdering everyone who refused to join; and Mr Mufabe, a former teacher and Alice's adjutant.

Alice's bizarre beliefs are conscientiously documented in scores of tatty, green school exercise books which rebels dropped as they fled army attacks. Most are written in English by her scribes and they provide a fascinating insight to her motives for rebellion.

> Alice's creed was that only immoral rebels who disobeyed her no sex, smoking or drinking code were killed. "If people died, she told us, it didn't matter, they were bad. Let them die."

The autobiography of Lakwena - the spirit of a captain in the Italian army who died in the First World War - states that he "came on earth to save mankind and ease the general population out of their evil deeds."

There were many other spirits including a British one, Rankee, but the significance of the chief spirit either being Italian or having Italian connections springs from the strong influence that Roman Catholic Italian missionaries have had in parts of northern Uganda for the past 50 years. Rebels often sang the Catholic refrain "Christ is dead, Christ is risen, Christ will come again" in battle.

According to Alice, Lakwena appeared to her in 1985. "He came and stood on top of an anthill and exacted his orders that he was sent by God ... 'I've been sent on earth not to leave any wrong man or woman behind. Nobody will escape the battle.'"

This purge was to begin with her army and move on to Government forces, then civilians. In particular, her own Acholi tribe was singled out for being "notorious for murder, theft, looting and rape" - perhaps a reference to the old habits of Dr Obote's predominantly Acholi troops.

Alice's creed was that only immoral rebels who disobeyed her no sex, no smoking, no drinking code, were killed. One captured rebel said: "If people died she told us it didn't matter, they were bad people. Let them die."

According to one book, she wanted to convert the Acholi from "their evil ways before proceeding to do the same for the rest of the country." She had a political wing of civilian preachers who claimed it was their duty to go into the villages and tell peasants that the day of judgment was coming soon.

Other books refer, somewhat more rationally, to the root causes of social upheaval in Acholi districts, such as poverty, illiteracy and disease. Underdevelopment in the north has often been cited as a reason why so many Acholi men joined Uganda's army, police and prison forces after British colonial times.

Although many Holy Spirit rebels were initially press-ganged, the mention of God combined with tribal and political alienation from President Yoweri Museveni's southern-dominated government, also attracted recruits. On the day he was caught, Professor Ojok said that a number of rebels had joined in Soroti district, eastern Uganda.

"There wasn't a lot of support for the Government in Soroti, partly because of cattle thieving which wasn't being stopped effectively (by the NRA) and partly because of local thugs who weren't being stopped either," he said. "People were calling on the Holy Spirit to stop the cattle rustling."

Professor Ojok said that Alice was worried about her own safety: "In order to go back home she has to account for all those young men and women who died." He said that people who thought she would overthrow Museveni "will be disappointed" and that she would find it difficult to muster a new fighting force.

Mr Shef Ali, the NRA's eastern brigade commander, said that Alice's war had encouraged other rebel groups to create insecurity. However, Holy Spirit rebels also absorbed or disarmed other rebel factions as they moved south.

The UPDA, the main Acholi rebel group, has an ambivalent relationship with Alice. On October 26 its leader, Brigadier Odong-Latek sent her a radio message of encouragement. But originally Alice's Operation Group captured the radio from the UPDA along with a substantial number of weapons.

Tough line in South Pacific on companies

By John Madeley

SOUTH PACIFIC countries are getting tough on multinational corporations. In response to requests for assistance, determined efforts are being made by the United Nations Centre for Transnational Corporations (UNCTC) to help Pacific countries, especially small island states, strike the best possible bargain with those that want to do business in their countries.

At a regional seminar, held in the Solomon Islands, government officials and business people from 12 South Pacific countries were trained in the skills of dealing with companies from abroad.

Dr R. Rola, an UNCTC official, said: "Participants were taught how best to prepare for negotiations with multinationals, how to negotiate with them, exercise more control over their activities, how to get more in tax revenue, retain more profit in the country, and how they can encourage the multinational to develop linkages with other sectors of the economy."

The seminar reflected concern that the small island countries, many with a population of less than 250,000 people, are no match for the negotiating skills of many multinationals, some of which have traditionally played a significant role in the region.

"Positive contributions can be made by multinationals," says the UNCTC, "depending on arrangements between them and governments."

A number of business people attending the seminar were negotiating joint ventures with multinationals. There is a growing interest by private companies in the Pacific states to set up such ventures if the right terms can be reached.

"Our strong point is that we have resources in our country which they want," said a participant from Papua New Guinea, a country which has recently reported new findings of gold and oil. "It's a question of knowing our advantages and translating them into a good deal."

The seminar covered issues such as legislation, policy making, institutional arrangements and procedures, with particular regard to fisheries, agriculture, manufacturing and tourism.

To help South Pacific countries in their detailed negotiations with multinationals, the UNCTC now helps these countries to secure the services of former employees.

India resumes operations against Tamil Tigers

BY K.K. SHARMA IN NEW DELHI

THE Indian Government yesterday announced resumption of operations against the Tamil Tiger guerrillas in Sri Lanka, following their failure to respond to the hope that they would surrender their arms during a 48-hour unilateral ceasefire by the Indian forces.

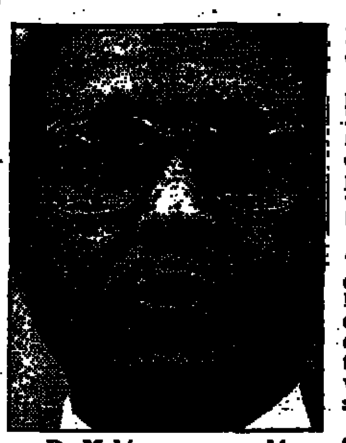
No details of the resumption of the operations were released by the Indian Government in New Delhi. Indications are that a full-scale offensive against the Tigers has not yet started, possibly to give them more time to reconsider the question of a surrender.

India regretted that the Tigers "did not respond positively" to the 48-hour ceasefire that began on Saturday morning and that they had instead insisted on a "number of unacceptable preconditions". These are thought to include a pullback by the Indian troops to positions held when the operations started on October 10, and a general amnesty.

New Delhi said that during the 48 hours the Tigers had threatened civilians co-operating with and giving assistance to the Indian forces. Two had been killed.

It is not clear what the Indian Government plans to do in Sri Lanka in the next few days, nor what is the reason for the unilateral ceasefire.

There are reports that the move was made in response to a suggestion by Mr M. Ramachandran, the chief minister of the South Indian state of Tamil Nadu, to whom feelers had been put out by the Tigers.


De Mel: 'new approach'

India also announced that since the start of the operations on October 10, 262 Indians had been killed and 927 wounded by the Tigers. This is the first time India has admitted to such casualties.

Mervyn de Silva reports from Colombo: Mr Ranasinghe Premadasa, Sri Lanka's Prime Minister, has publicly joined Mr Ronnie de Mel, Finance Minister, and other party stalwarts in pressing President Junius Jayewardene to lift the ban on the JVP, the Sinhalese extremist party accused by the police of killing over 60 members of the ruling UNP.

A report of a speech the Prime Minister made on Sunday to the executive committee of the UNP's Colombo organisation was published in the state-owned Daily News, while other papers reported two more political murders. The victims are a school principal and a chairman of a village council, both prominent UNP members.

Under a front page headline, "JVP not to blame for every act of violence, says PM", the Daily News reported that Mr Premadasa had told the city party executive: "If the proscription of the JVP is lifted, the country will be able to know the true situation".

The Premier had informed the city committee, which represents four ministers and five UNP members, that he had urged the government to legalise the JVP two months ago.

Mr Lalith Athulathmudali, the National Security Minister, said it was wrong to blame the JVP for the recent Colombo bomb blast which killed 32 people. "It is now clear that the explosion was the work of the Tamil Tigers", he told an official function.

With these powerful UNP figures backing Mr de Mel's appeal in his budget speech for a "new approach" to the problem of Sinhalese youth violence in the south, President Jayewardene, who is pursuing a tough "surrender arms and renounce violence" line on the JVP, will face an increasingly hostile Cabinet tomorrow.

Ershad takes tougher line

BY SAYED KAMALUDDIN IN DHAKA

PRESIDENT Hussain Mohammad Ershad of Bangladesh has taken a harder line to curb the widespread and violent agitation launched by the mainline opposition alliances since November 10 to force him to resign. The anti-government agitation has already cost at least 11 lives, hundreds of injured, widespread damage to property, and stagnation of the economy.

While the opposition alliances were talking about continuing half-day general strikes, President Ershad met the country's top bankers, planners and administrators to discuss the strike's crippling effects, and measures to be taken to bolster the economy.

Observers believe that the current agitation - begun before the devastation caused by widespread flooding earlier this year could be properly countered through rehabilitation programmes - may seriously damage the economy and force a negative growth this year.

Earlier, President Ershad told a high-level meeting of officials that the present pattern of the unrest was "an act of subversion to grab power" and firmly added: "I can't allow the country to be taken over by the leftists and will resist this ominous design."

The opposition yesterday extended by eight hours a successful 48-hour countrywide strike. A number of slogan-chanting processions paraded the city streets demanding the president's resignation.

Police baton-charged the demonstrators at several places to disperse them. A number of bomb explosions rocked all parts of the city.

Bangladesh's Newspaper Council, the Bangladesh Federal Union of Journalists and the Thaka Union of Journalists, in a joint statement, strongly condemned the "imposition of restrictions on publishing news items" by the Government which it described as "illegal and undemocratic."

However, the Government said it had requested newspaper editors not to encourage violence by printing photographs of a government employee being forcibly stripped by picketers, but "no press censorship had been imposed."

Egypt aims to revive Arab arms enterprise

By Tony Walker in Cairo

EGYPT is pressing its former partners in the $1bn Arab Organisation for Industrialisation to revive their involvement in a local defence industry.

Saudi Arabia, Qatar and the United Arab Emirates, together with Egypt, founded the AOI in 1974 to provide a nucleus for an Arab defence manufacturing sector to challenge Israel's advanced military industries.

Investment was frozen in AOI when Egypt's partners suspended relations after the late President Anwar Sadat signed the 1979 peace treaty with Israel.

With the resumption of formal relations between Cairo and all Gulf states following the recent emergency Arab summit in Amman, Egyptian officials are seeking fresh investment in AOI.

General Ahmed Orabi, former Chief of Staff of the Egyptian Armed Forces and since October head of AOI, called on the eve of a defence exhibition in Cairo this month for a revival of Arab involvement.

Gen Orabi was clearly seeking additional Arab investment in the project, which is involved in the manufacture and assembly of jeeps, helicopters, training aircraft and missiles.

His remarks coincided with increased contacts between Egyptian defence personnel and their counterparts in Arab Gulf states. A senior official of Egypt's Ministry of Military Production said this week that military sales talks were being conducted with Iraq and Kuwait.

An Egyptian team has been in Kuwait discussing the supply of air defence systems to protect the emirate against Iranian missile attack.

The Egyptians are also believed to be offering their Swiss-designed Amun radar-guided anti-aircraft units.

Egypt's military sales last year, mostly to Iraq, are believed to have totalled between $300-$400m.

Israel-EC talks break down over Palestinian exports

BY ANDREW WHITLEY IN JERUSALEM

THE Israeli authorities' refusal to permit any economic expression of Palestinian nationalism appears to lie behind the failure of the latest round of talks with the European Commission on the export of fruit and vegetables from the occupied Arab territories.

Talks ended in Tel Aviv yesterday with the two sides further apart than before on the central question of control over the sale in the Community - Israel's own most important agricultural market - of Palestinian farm produce.

It was formally agreed that manufactured goods from the territories could have free passage through Israel to the Community, with immediate effect. But the immediate benefits of this concession are negligible, given the underdeveloped state of Palestinian industry.

The Commission continues to argue that Palestinian exporters of citrus or winter vegetables should have a free choice in finding customers for their goods. However, the Israeli Government insists that all sales be handled by Israel's state marketing organisations, Agrexco and the Citrus Marketing Board.

According to General Fredy Zach, a top official in the military government administering the territories, Israel will also retain the right to veto product labels it finds objectionable. He confirmed this meant that attempts to describe an export consignment's place of origin as "Palestine" or "Israeli- occupied West Bank" - rather than simply Ramallah or Bethlehem - would be blocked.

Last month, Brussels managed to reach an understanding with Tel Aviv whereby Palestinian farmers in the West Bank and Gaza would be able to put their own labels on produce destined for the Community. Who handled the marketing was, the Commission felt, left as an open question.

But since then, attitudes appear to have hardened on both sides, reducing the prospects of finding a solution during the current agricultural season. Last week, Israel delivered a sharp protest note to Britain over its action at the Commission in blocking a pending bilateral trade agreement, apparently in retaliation for Israeli foot-dragging over the Palestinian exports issue.

Iran gunboats hit two ships

BY JOAN WUCHER KING

IRANIAN gunboats yesterday hit two vessels sailing through the Strait of Hormuz, bringing to four the number of ships Iran has attacked in the past three days.

On Sunday, a Saudi-bound Greek-flagged tanker was hit by Iranian gunboats, which also fired on US helicopters trying to prevent the interception of another Greek-flagged vessel, the Jimilta, near Farsi Island.

The 16,859-ton Panamanian registered Uni-Master, hit yesterday morning just inside the mouth of the Gulf, reported a small fire, which was extinguished by its crew. A distress call was made, but radio contact was then lost.

The second ship hit, the 8,850-ton Roumanian-flagged Fundulea, was sailing nearby. Initial reports say the bridge and accommodation quarters were badly damaged by "major" munitions, unlikely to have come from a speed boat assault. Three injured crewmen, one of whom is reported to be the captain, had been evacuated to a hospital at Ras al-Khaimah in the United Arab Emirates. A French naval vessel was warned off approaching.

The Iranian strikes on Gulf shipping followed Iraqi air raids last week, three of which were directed at its partially completed nuclear power station at Bushehr. Iran has repeatedly threatened to attack shipping in response to Iraqi raids. These latest retaliations come at a time when Iran is facing a renewal of pressure on its positions along the Iraqi border.

Three Iraqi air strikes on Iranian-owned or chartered ships were confirmed on Sunday, bringing to 10 the number of confirmed Iraqi strikes on vessels off Iran in the past week. This follows the intensification of both the land and air war between the two countries.

Iranian troops claim to be holding their position inside Iraq's central sector near Sulaymaniya, where they repulsed an Iraqi assault on Sunday. Iran's main opposition group, the Mojahedin Khalq, said yesterday that its fighters were involved in the attack on the central sector, and in a broader campaign against Iranian bases near Mehran in the southern sector and at Piranshahre in north-west Iran.

Nigeria offers to act as mediator in Angola

NIGERIA said yesterday it was ready to mediate in the civil war in Angola where the government is fighting the South African-backed rebel Unita movement, **Reuter** reports from Lagos.

"Nigeria is ready to play a mediatory role in the Angolan war," a Foreign Ministry statement said.

This would be on condition that the mediation was acceptable to all the parties in the conflict and the objective was in the overall interest of Angola and Africa, the statement added.

Unita last week renewed its call on Kenya, Nigeria and other African nations to participate in bringing about what it called "an African solution" to the 12-year-old civil war.

South Africa acknowledged for the first time last week that its troops were fighting on the side of Unita soldiers against government forces aided by Cuban advisers. The war began after Angola gained independence from Portugal in November 1975.

Bid to end Inkatha-UDF fighting

TALKS are to begin today in Pietermaritzburg to end months of fighting between rival black political groups which claimed another five victims over the weekend, **Anthony Robinson reports.**

The bitterness of the clashes reflects the passions raised by the fighting for political control of the area between supporters of the Zulu Inkatha movement and the United Democratic Front (UDF) in which more than 170 people have been killed this year.

Tunis 'to restore ties with Libya'

By Joan Wucher King

THE Tunisian Foreign Minister, Mr Mahmoud Mestiri, said yesterday that his country is planning to restore diplomatic relations with neighbouring Libya. Relations were broken two years ago, following Libya's expulsion of 33,000 Tunisian workers.

The move followed a period of renewed contacts between the two countries, which repoened consular ties last month. Libya has been seeking Tunisian participation in a planned gas pipeline from Algeria to Libya's western province of Tripolitania, which would have to transit Tunisian territory.

Libya made an initial payment of $10m to Tunis earlier this year to compensate the expelled workers for loss of earnings and property. Since then, diplomatic contacts have been intensifying as part of a broader Libyan effort to reintegrate politically and economically with its Maghreb neighbours.

While the question of final compensation for expelled workers remains unsettled, the new Tunisian government, which ousted President Bourguiba on 7 November, is nonetheless signalling its own interest in involving Libya in regional co-operative efforts.

At the same time, Mr Mestiri indicated that Tunisia has no immediate plans to restore relations with Egypt, in line with other Arab moderates. These two moves, taken together, indicate that some alterations in Tunisia's regional policies may be anticipated in the post-Bourguiba period.

Reuter adds from Tunis: Tunisian security forces have seized arms and explosives and arrested a gang plotting to assassinate prominent figures, the official TAP news agency said

Members of the gang had been shadowed since September and the arms cache was found on November 16, TAP added.

"This band planned terrorist operations to assassinate a certain number of officials and to attack security and civilian establishments," TAP went on.

A mass trial of Islamic fundamentalists ended in September, at which seven were sentenced to death for plotting to overthrow the Bourguiba government.

No further details were available but TAP said the Interior Ministry would hold a press conference tomorrow.

UK NEWS

Midland offers cashless shopping for retail sector

BY ALAN CANE

MIDLAND BANK has joined forces with British Coal's computer bureau, Compower, to offer a cashless shopping service called Transact. The move will save the bank much development work.

It is the third large UK clearer to announce a commercial cashless shopping or Eftpos (electronic funds transfer at the point of sale) system. Such systems debit credit card accounts or, where a bank debit card is used, bank accounts electronically.

The National Westminster bank computer bureau, Centrefile, has been operating an Eftpos system aimed at petrol stations since 1984.

Barclaycard announced a service extending to retail sites such as the Brent Cross shopping complex in north London and Heathrow Airport, London, in 1986. Earlier this year Barclaycard and Access announced they intended to co-operate so that either of their cards could be used in their shop counter terminals

Transact is based on Midnight Express, an Eftpos system Compower has offered for two years and for which it already has roughly 1,000 customers, all petrol stations.

The Midnight Express operation now become part of the joint Midland-Compower Transact venture.

Petrol stations like Eftpos because it speeds up transaction times while encouraging security and discouraging fraud.

In the Midnight Express process, credit card transactions are stored through the day in the memory of powerful counter-top terminals manufactured by the Fortronics, UK electronics company.

After midnight, Compower checks each terminal in turn, collecting, sifting and matching all the transactional data and, finally, sending payments messages to card issuers such as Barclaycard and Access or the the clearing banks' automated payments service, BACS.

Co-operation with Midland will mean the service can be expended into the retail sector, Mr Les Morris, Compower's general manager for marketing, said.

Mr Scott Thompson, head of product development at Midland's payment services division, said the use of Compower's existing service as a base would save the bank about a year in development time. "We thought it was better to get in quickly in partnership with someone else. Compower seemed a very logical partner."

Now Midland will be marketing the service to its key retail customers. It intends to keep its experimental Eftpos system, Speedline going in parts of south-east England. But, like all its competitors, it says establishing its own Eftpos scheme will not prevent it from playing a full part in the national Eftpos scheme due to start late next year in prototype form.

Ibstock buys final stake in pulp maker

By Mike Smith

LEICESTER BRICK manufacturer, Ibstock Johnsen, yesterday took advantage of the recent fall in world stock markets to take full control of Eucalyptus Pulp Mills in a deal which values the fast-growing pulp manufacturer at £105.3m.

The City of London had been expecting Ibstock, which previously held 42.6 per cent of Eucalyptus, either to sell its stake or to buy out its co-shareholders. *Ibstock's decision to take the second* option at a cost of about £60.5m was influenced by the impact of the bear market, which has hit Eucalyptus's share price much harder than Ibstock's.

Mr Peter Woodman, Ibstock chief executive, said yesterday that Ibstock had considered selling off Eucalyptus. "But when we asked for bids no-one was prepared to buy the whole stake," he said. "Selling it off in chunks was not feasible."

Mr Woodman said the alternative gave the group control of a company whose profits are expected to more than double this year.

Eucalyptus is cash rich with a balance of £35.6m. Its acquisition, which is being funded mainly by shares, will strengthen Ibstock's balance sheet by increasing both shareholders' funds and net cash resources.

Analysts said yesterday that the Eucalyptus deal should strengthen Ibstock's profitability. Mr Mark Stockdale, one of the building materials research team at Barclays de Zoete Wedd, upgraded his forecasts for group profits next year from £38m to £47m, and for earnings per share from 17½p to 18p.

Eucalyptus Pulp Mills, in which Ibstock has held a stake since 1971, is a UK quoted holding company but its principal asset is a 76 per cent holding in Caima, a Portuguese company with a forestry and a pulp manufacturing operation. Caima is quoted on the Lisbon stock exchange where Eucalyptus's stake is valued at about £240m.

Ibstock is offering three of its shares and 170p in cash for every Eucalyptus share. With Ibstock at 172p, up 1p, Eucalyptus's shares were last night valued at 566p, against their closing price of 550p, up 125p.

The Eucalyptus board forecasts 1987 profits of £13m, against £5.9m last year.

Bedford to restore civilian truck sales

BY JOHN GRIFFITHS

GENERAL MOTORS' Bedford truck and bus operations at Dunstable, north of London, were bought yesterday by a British entrepreneur who intends to take Bedford back into the civilian truck and bus market which it abandoned less than a year ago with the loss of 900 jobs.

The purchase, for an undisclosed sum, was made by Mr David Brown, who owns a group of specialist vehicle-making companies based at Peterlee, County Durham, which employs about 600.

Under the agreement, Mr Brown has acquired the 97-acre Dunstable plant. He also has rights to the Bedford range of military and export trucks currently being produced by a 1,100 workforce and to the civilian truck and bus models which were discontinued at the end of last year.

A separate agreement provides for GM's parts and service operations to handle all service parts associated with the Bedford business.

A new company, AWD, has been set up under the managing directorship of former Leyland Vehicles chairman, Mr Ron Hancock, to run the business.

Mr Brown said both the purchase, and the £20m to be invested in AWD over the next few years, were being funded from within family-owned companies and no borrowing was involved.

Civilian trucks will be marketed under the AWD badge in the UK. The Bedford label will continue to be used on the light and medium vans being produced by IBC, GM's joint venture company with Isuzu of Japan.

Trucks for military and export markets will be sold under a "AWD Bedford" badge.

Former Bedford chief executive, Mr Paul Tosch, now chairman of Vauxhall, said that GM had considered the deal with Mr Brown "as in the best interests of all concerned." It secured the jobs of the existing workforce and some 70 skilled staff joining AWD from GM at Luton.

Mr Brown, AWD's chairman, said he intended to expand sales in the existing model range and bring in new ranges of specialist trucks - some using all-wheel-drive systems developed by another of his companies, Multidrive.

Ford strikes go on despite improved offer

By Charles Leadbeater

PRODUCTION at eight Ford Motor Company plants in the UK was yesterday disrupted by industrial action by about 17,600 manual workers, as the company improved its three year pay offer in negotiations with manual unions.

Ford has lost production of about 9,700 units, cars, vans and tractors, worth about £70m at showroom prices, as a result of unofficial action since it unveiled its radical offer three weeks ago.

The company has offered a package including an extra 1.25 per cent on the first year of the proposed three year deal, bringing the basic first year offer to 5.5 per cent, and improved pension rights.

A call will be made at a meeting of supervisors' representatives today to hold a ballot on national industrial action if the company refuses to withdraw its proposed changes to working practices. Supervisors fear these could lead to significant job losses.

Union negotiators said the improvements in pensions rights were designed to ease early retirement and redundancies.

Terry Dodsworth explains why an otherwise healthy industry urgently needs to become a more substantial world player

Electronics sector shows plenty of profit but not enough growth

BEFORE his abrupt departure from Plessey a few weeks ago, Sir James Blyth, the company's former managing director, drew attention to one of the most striking features of the UK electronics industry.

On the one hand, he said, British companies had an enviable profits record when measured against their international peers; but on the other, they had not managed to expand in step with their overseas competitors.

"We need to grow and in order to go for growth we shall have to take a margin diminution," he said. "If you expect these great British electronics companies to be world players, you are not going to do it by sustaining the same sort of returns as they achieved previously."

Sir James's remarks highlight in a graphic way the issue of measuring performance in the UK electronics industry. The big indigenous UK companies have until recently delivered the goods to their shareholders in terms of immediate returns - in 1984, for example, the General Electric Company and Plessey registered returns on sales of just over 10 per cent, putting them well up among the leaders in the world industry.

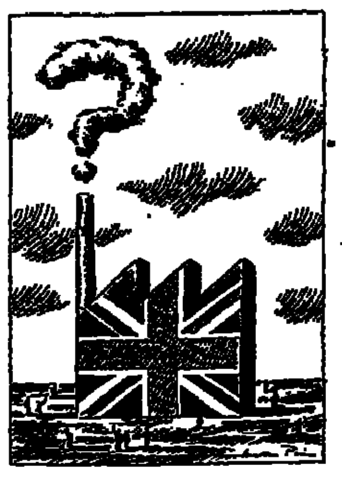
But the strategy the British companies have employed to achieve that position has been to exploit niches in relatively protected sectors of the domestic market, notably defence and telecommunications. They have been left behind in and have progressively abandoned other areas of the industry; not one British company figures in the world's top ten.

The effect of these policies has been to leave the UK with companies that are apparently efficient compared with their international competitors, but incapable of exploiting the growth in electronics to the same extent.

In the computer field, for example, which is expanding at between 10 and 15 per cent a year, ICL is the the only substantial British competitor. Yet even in Britain, one of the first countries in the world to develop and exploit computers, ICL has no more than 20 per cent of the market in large mainframes and its position overseas is modest. Amstrad, a substantial company in sales terms, has only a minimal amount of assembly in the UK.

British companies have similarly retreated from the consumer electronics industry. Beaten back by the wave of Japanese imports, they have given up television, sound and video equipment manufacturing, leaving the struggle in western Europe to the French, West Germans and Dutch.

The position is not much different in semiconductors, generally regarded as the key base technology of electronics because of the impact new chip development has on all sorts of equipment down the line. In that field, in spite of successes at Ferranti and Plessey, UK production is fragmented and tends to be directed at serving a few narrow markets.



"Britain is not sufficiently invested on the world scale," says Mr Anton Poot, the UK chairman of Philips, the Dutch company which is also Europe's largest pure electronics group.

Three broadly unfavourable consequences have flowed - and are continuing to flow - from this high degree of specialisation in the UK.

The first is the large, and rising, trade imbalance in electronics production. In 1970, the UK was roughly in balance on its trade in electronics goods, ranging from computers to industrial, medical and office equipment.

By last year, however, it had fallen to a deficit of £2bn, with a large part of this decline coming in the 1980s. At the beginning of the decade, the deficit amounted to less than £600m.

The figures contrast sharply with the West German surplus last year of $1.7bn, largely achieved, according to the Benn Electronics market research group, through its much stronger record in exporting.

The second effect has been on the overall size of the electronics and information technology industries, which are seen as the economic locomotives of the future.

Mr Ian Mackintosh, UK consultant and electronics guru, has calculated that the output of the information technology industry in the US and Japan amounts to an average of just over 16 per cent of total manufactured output; in the UK, it comes to just 6.5 per cent. In Japan, indeed, electronics outstripped the automobile industry in terms of the value of production for the first time in 1984.

Third, UK electronics production has become increasingly concentrated in the hands of foreign producers investing in Britain.

Although there are no reliable figures to show how much of the industry is represented by these multinationals, they account for large swathes in computers, semiconductors and consumer electronics. For example, a surge in UK television production over the last few years is mainly traceable to new Japanese plants.

UK Electronic Sector

		Output £m	Imports £m	Exports £m
Telecommunications	1970	241	12	38
	1980	908	70	96
	1985	1578	318	242
	1986	1617	365	219
Data Processing	1970	208	144	82
	1980	1013	1082	938
	1985	3099	3919	3314
	1986	2899	3918	3094
Electronic Capital Goods	1970	250	56	116
	1980	1418	314	479
	1985	2444	819	1162
	1986	2558	867	1240
Consumer Electronics (Brown goods only)	1970	193	37	27
	1980	505	504	149
	1985	778	1196	356
	1986	831	1284	448
Total Equipments	1970	892	249	263
	1980	3844	1970	1662
	1985	7899	6252	5074
	1986	7905	6434	5001

Source: Mullard

It might be argued that these steady reversals in big volume international business were of little concern so long as the UK manufacturers were generating healthy profits. But recent trends in the industry, as indicated by Sir James Blyth, suggest that the niche strategy they have been pursuing has run into trouble, taking some of the buoyancy out of profits and forcing companies to shift their attention more positively to international markets.

Pressures of this kind lie behind the spate of mergers and takeovers that have affected most of the leading British companies in recent months.

To a large extent, these ills can be traced to the pro-competitive policies of the present Government. Most UK manufacturing sectors were painfully affected by the new approach in the early 1980s, when the strength of sterling and the decline in output and profits forced them to make cuts and reorganise. The electronics sector largely missed that phase in the cycle, protected by the continuing strength of its domestic markets in defence and telecommunications.

Since then, however, the Government has introduced policies that bring more competitive pressures to bear. Liberalisation of the telecommunications equipment market and the privatisation of British Telecom took time and parliamentary action to push through; but they have happened now and radically changed conditions in the industry.

In defence, a highly successful segment of the UK industry measured against its international competitors, the emphasis has shifted towards opening contracts to competitive tendering. At the same time, overall budgets are being trimmed and state funding of research and development reduced.

It is hard to find evidence, as yet, that the changes are having a regenerative impact, although some executives claim that production standards have improved substantially. In the meantime, however, it is not difficult to see some striking reversals for the UK industry.

The most obvious of these was the cancellation of GEC's Nimrod airborne early warning radar project and the award of the contract to Boeing of the US. The telecommunications sector has also experienced a flood of imports, which have taken the UK from a surplus trading position in the early 1980s to a deficit of £218m last year.

The lack of a strong internationally competitive base has equally been demonstrated in the cellular mobile telephone field, where liberalising policies have generated an extraordinarily strong and buoyant new market - but British manufacturers were singularly unprepared to take advantage of the opportunities. So far, UK companies have mainly scored by commercialising technical systems developed or produced overseas.

The Government might well argue, of course, that it will be the next step that counts - when UK companies, now aware of the possibilities in liberalised markets, respond to the challenge. Some stirrings of this kind can be detected in the mobile telephone field, where British manufacturers are taking a leading position in the race to develop a new digital pan-European system. But it is too early to tell whether enough will be made of the opportunities.

The Bank of Wales banks on Scots know-how under an English helm

Anthony Moreton on Cardiff's efforts to become a financial centre

WHEN MIDLAND Bank carried out a substantial management reorganisation two years ago it did a substantial favour to a number of other financial organisations.

The senior executives displaced in the top management reshuffle have found ready homes for their expertise elsewhere. The latest is Mr Eric Crawford, the 55-year-old former general manager in charge of strategic planning, who has just been appointed group chief executive of the Bank of Wales.

Mr Crawford takes over from Mr Malcolm Thomas, head of the bank's affairs for the past eight years, at the beginning of next year. Mr Crawford will, however, have a little under five years at the helm, since the Bank of Scotland - which now controls the Cardiff-based bank - is anxious to bring the retirement rules under which senior executives retire at 60 into line with its own practice.

Given such a short timespan, the choice of Mr Crawford has surprised many people in Cardiff. It was known that the Bank of Scotland was urging its Welsh affiliate to appoint someone with a high-street clearing background - Mr Thomas originally came from industry - but it was thought that the incumbent would get eight or nine years in the post.

Now one of the early things that Mr Crawford will have to do is to start assessing his own potential successor.

Such disappointment has compounded a feeling in Cardiff that the Bank of Scotland has not activated the Welsh bank in the positive way many had hoped.

The Bank of Wales is, to some extent, the unknown bank in Britain. It was set up in 1972 as the Commercial Bank of Wales by Sir Julian Hodge, who hoped it would contribute to the development of Cardiff as a financial centre along the lines of - and eventually as a competitor to - Edinburgh.

The Bank of England and the City establishment did not take to Sir Julian's baby with open arms and it was not until the 1980s that the bank relented and allowed the word "commercial" to be dropped from the Welsh bank's title.

One of the first things Eric Crawford will have to do is assess his potential successor

To some extent, that was not a serious impediment at first since Sir Julian did not see the Commercial Bank of Wales as a competitor for the then four major high-street clearers. He wanted a bank that would deal with industry, especially with the small industrialist that was the bedrock of the Welsh economy.

Two years ago, though, the Bank of Wales began to refine its commercial outlook and started to woo the individual client. However, it still did not set out to capture the mass market, concentrating on the person of means, the industrialist who had used the bank for commercial reasons and also wanted a personal account for himself or his family.

"The bank never defined this person very clearly," Mr Thomas admits, "but it was generally accepted that we were looking for the man or woman - less likely to be a woman in Wales than in the south-east - earning over £20,000 a year."

Those who hoped to see Cardiff develop as a financial centre were encouraged by the arrival of the Bank of Scotland as a leading shareholder a year ago since it was thought that the Scottish bank would bring its high-street know-how to Wales and push the Welsh bank along more positive lines.

They have been disappointed so far. The Bank of Scotland is certainly keen, Mr Thomas says, to see business expanded and has encouraged its Welsh offshoot - Cardiff has considerable autonomy - to bring in some of the services on offer in Scotland.

Business Gold, an interest-bearing current account, is being pushed, as is its half-brother Business Gold Plus, a service aimed at professional groups such as solicitors and accountants who can work up to 99 of their own clients with one cheque book.

There is also Gains - the Government Assistance Information Service - for businessmen.

The Bank of Scotland has not activated the Bank of Wales in the positive way many hoped

More recently, a high-interest personal cheque account - again aimed at the higher earner - has been introduced.

One other step has been to put a toe into the mortgage market. Mr Thomas admits the bank has acted "a bit late in the day" though he says that "within Wales we have a certain status and we think we could attract a certain amount of the local business."

The bank also intends to extend its presently very small branch system. There are three branches - in Swansea, Carmarthen and Wrexham - in addition to its head office in Cardiff, and the bank has been looking at the possibility of opening in places such as Newport, Bridgend and Abergavenny in south Wales, Newtown in mid-Wales, and Colwyn Bay in north Wales.

"I don't think we need, or will have, more than eight branches altogether," Mr Thomas says, "and one of those might be another one in Cardiff."

The Bank of Wales has, however, had one major success - winning the account for the new Cardiff Bay Development Corporation, the government-led body charged with regenerating Cardiff's decaying docklands.

All the high-street clearers wanted this account, not just for the prestige attached to it but also because it will mastermind a multi-million pound development stretching over the next 15 to 20 years comparable to, though not on the same scale as, the development in London's Docklands.

Some of the groundwork has therefore been prepared for Mr Crawford when he moves from Cambridgeshire, his present home, to Cardiff next year. But much remains to be done if the hopes of those who want to see the bank playing a leading role in the development of the Welsh capital are to be realised.

APPOINTMENTS

Three Blackwood Hodge directors

JOHN BLACKWOOD HODGE has appointed **Mr Austin Field** as director with special responsibility for new ventures and business development. **Mr Ken Taylor** becomes sales and marketing director; he was finance director. **Mr John Judson** becomes divisional director for UK sales of the Terex, Zettelmeyer and Rexworks franchises. He was UK sales director of Terex Equipment.

★

Mr Ian M. Rosenthal has been appointed a director of CHANCERY SECURITIES FINANCIAL SERVICES, finance broking division of Chancery Securities. He was a senior executive.

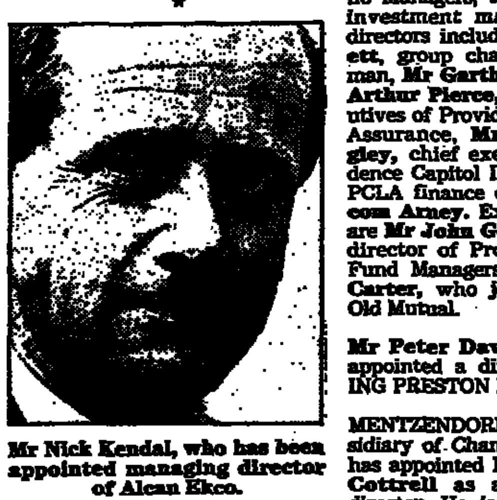
★

MEEKATHARRA MINERALS (N.I.) has appointed **Mr Neill F. Arthur** as a director and general manager, with responsibility for the company's coal interests, including those at Ballymoney. He was general manager and chief executive officer of the Coal Corporation of Victoria, Australia. **Mr Jimmy Quigg**, a director of McAlpine Northern Ireland, and corporate lawyer **Mr Michael Diamond** also join the board.

★

Mr Ronald A.W. Middleton has been appointed finance director of HODGSON HOLDINGS from November 30. He will be replacing **Mr Steven Heathcote** who will remain with the group as company secretary. Mr Middleton is a senior audit manager with Ernst & Whinney.

★



Mr Nick Kendal, who has been appointed managing director of Alcan Ekco.

ALKAN EKCO, aluminium foil container maker, has appointed **Mr Nick Kendal** as managing director. He was managing director of Cambridge Glasshouse Company, a subsidiary of British Alcan Aluminium. Alcan Ekco is jointly owned by British Alcan Aluminium and the Packaging Corporation of America, a subsidiary of Tenneco Inc.

Mr David Moore has joined BROWN SHIPLEY STOCKBROKING and becomes finance and operations director of Hesseltine Moss & Co. He was director in charge of planning control and administration at Wallace, Smith trust Co.

★

Mr H. Purcell has been elected chairman of the LOCAL AUTHORITIES' MUTUAL INVESTMENT TRUST in succession to the late **Dr D.G.A. Guttridge.**

★

Mr Eddie King has been appointed managing director, civil engineering, of ARC CONSTRUCTION. He was deputy managing director of Cementation Construction.

★

Mr Richard Holway has joined the board of the BOS GROUP as a non-executive director. He was managing director of Wootton Jeffrys Systems.

★

The GOTA GROUP of Sweden has made the following senior appointments in London: **Mr Ulf Hedback** has been appointed general manager of Gotabanken, London branch. He was formerly head of the international division. **Mr Jan Lundqvist** has been made managing director of Gota Securities. Previously he ran his own company, Addison Financial Services.

★

PROVIDENCE CAPITOL HOLDINGS has formed a new subsidiary, Providence Capitol Portfolio Managers, to concentrate on investment management. The directors include **Mr Mike Levett**, group chairman, as chairman, **Mr Garth Griffin** and **Mr Arthur Pierce**, joint chief executives of Providence Capitol Life Assurance, **Mr William Langley**, chief executive of Providence Capitol International, and PCLA finance director **Mr Malcom Arney**. Executive directors are **Mr John Gordon**, managing director of Providence Capitol Fund Managers and **Mr. Kevin Carter**, who joins PCPM from Old Mutual.

★

Mr Peter Davidson has been appointed a director of BOWRING PRESTON POWELL.

★

MENTZENDORFF & CO., a subsidiary of Champagne Bollinger, has appointed **Mr Michael N.F. Cottrell** as a non-executive director. He is chairman designate of First Leisure Corp. He was managing director of Courage, and chairman of Saccone & Speed.

★

BINNIE & PARTNERS has appointed **Mr John D. Hutcheon**, financial controller, and **Mr Christopher D. Walters**, director for engineering projects in the Far East, to the partnerhsip.

The new enterprises division of BRITISH ALCAN ALUMINIUM is led by **Mr John S. Bridgeman** as managing director. He was managing director of the extrusion division.

★

POLYVOLTAC (UK) has appointed **Mr Charles Lee** as general manager and **Mr Ahmed Lambat** as financial controller.

★

ROYAL RE has opened a Canadian branch office in Toronto and appointed **Mr Keith J. Holland** as president and chief agent for Canada.

★

Mr C.A. (Sandy) Hutchison has been appointed managing director of CAPE BOARDS. He remains managing director of Cape Industrial Products.

★

Mr Colin Sampson, who has been appointed general manager of LLOYDS BANK INSURANCE SERVICES in succession to Mr Ray Clements, who has retired. Mr Sampson has been a director since 1978.

LONDON SHOP has appointed two executive directors, **Mr John G. Butland** and **Mr Clive A. Coward**, as joint managing directors. **Mr Alan G. Smith**, a director of the group's management subsidiary, has been appointed an executive director of London Shop.

★

Mr Gareth Davies, chairman and chief executive of Glynwed International, has been appointed a non-executive director of the Birmingham local board of BARCLAYS BANK. He is also a non-executive director of Raglan Property Trust, and The BTS Group.

★

Mr C.J. Chaplin has been appointed managing director of SHOPFITTERS GROUP, Accrington. He was managing director of ET Kitchens.

★

Mr James A. Young has been appointed general secretary and chief executive of the HOSPITAL SAVING ASSOCIATION, Andover.

★

Mr Ted Harris, formerly director of finance and planning - BP Oil, has joined the board of DBA ASSOCIATES as chairman.

★

SAS GROUP, Reading, has appointed **Mr John M. King** as its first non-executive director. He was a consultant with the Trafalgar House Group.

★

Mr Chris Poltera has joined WILLIAMS LEA & CO., as managing director. He was sales director at Burrup Mathieson.

★

Mr Michael Rogerson has been appointed chairman of the London regional council of the CONFEDERATION OF BRITISH INDUSTRY. A partner in Grant Thornton, he will serve for two years.

★

Mr Malcolm Shields, group sales director of Fossitt and Thorne, has been elected vice president of the NATIONAL TYRE DISTRIBUTORS ASSOCIATION.

★

ROYDS MCCANN MANCHESTER has appointed associate directors **Mr Bill Petite**, **Mr Mike Kelly** and **Mr Tom Hackett** as creative directors on the board. **Mr Neil Calvert**, account director, and production department head **Mr Mike Gannon**.

★

Mr Jack Grindrod has been appointed director of group manufacturing of CLAYTON DEWANDRE. He was director and general manager of Power Brakes, one of Clayton Dewandre's four UK manufacturing plants.

★

Mr B.A.F. Smith, joint managing director of Kirby and West, has become vice president of the DAIRY TRADE FEDERATION following the resignation of **Mr Chris Ball.**

Mr Alan Moore, who has rejoined MORGAN MOORE ENGINEERING as chairman.

Slower growth forecast in wake of crash

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

SLOWER GROWTH, low inflation and still-high unemployment is the picture for Britain's prospects in 1988 that independent economic forecasters are painting in the wake of last month's stock market crash.

The Treasury's latest monthly analysis of forecasts among academic and City economists points to a rise in output of 2.4 per cent next year after growth of 3.5 per cent or slightly more in 1987. The outlook for inflation, however, is thought to have brightened.

November's analysis includes new forecasts from 10 organisations made since the slide in equity prices began, but the averages also include a handful of pre-crash projections.

The consensus view is shown as an average of independent forecasts from organisations such as the London Business School, and the National Institute for Economic and Social Research as well as from two City groups. A wider spectrum of opinion in financial markets is shown by the separate average of nine City forecasts.

Overall, the consensus appears to be fairly close to the Treasury's own projections in this month's Autumn Statement.

The statement did not include a specific forecast for unemployment but ministers have made clear that they are expecting a further sharp reduction. By contrast, the independent economists believe that the total will decline only fractionally to remain above 2.7m at the end of 1988.

The outside consensus on the prospects for economic growth, however, matches the Treasury's view of a 2.5 per cent rise in output. The official view that the inflation rate will edge up to 4.5 per cent in the fourth quarter of 1988 is also regarded as credible, with the independent consensus pointing to a rate of 4.3 per cent and the City average only slightly higher at 4.6 per cent.

Academic and City economists share the Treasury's expectation of a significant deterioration in the current account of the balance of payments next year.

They also acknowledge, however, the strength of public finances and are forecasting scope for tax cuts of between £2bn and £3bn in next year's Budget.

UK Economy Forecasts

	Independent average		City average	
	1987	1988	1987	1988
GDP growth (per cent)	3.5	2.4	3.6	2.4
RPI inflation rate (Q4; per cent)	4.0	4.3	4.0	4.6
Unemployment (Q4; million)	2.77	2.74	2.76	2.71
Current account (£bn)	-1.6	-3.1	-1.4	-2.7
PSBR (Financial year £bn)	2.1	2.4	1.5	1.8

Source: Treasury

QC to lead King's Cross fire inquiry

By Kevin Brown, Transport Correspondent

THE PUBLIC inquiry into the King's Cross Underground disaster in London, in which 30 people died, will be chaired by Mr Desmond Fennell, QC, a Crown Court Recorder and vice-chairman-elect of the Bar.

The Transport Department said arrangements for the inquiry into last week's disaster would be made public shortly. The inquiry would investigate the *causes and circumstances* surrounding the fire, and any other matters arising.

British Transport Police are unlikely to disclose the results of investigations into the cause of the fire ahead of the inquiry, in spite of earlier indications that a statement would be made yesterday.

Piccadilly Line and Victoria Line trains began stopping at King's Cross yesterday for the first time since the fire. Passengers could change trains only between the two. The Northern Line platform stayed closed. Circle Line and Metropolitan Line platforms reopened on Thursday.

London Regional Transport denied a claim by Mr Frank Dobson, Labour MP for Holborn and St Pancras, that a fire was discovered on the same escalator earlier this month.

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David Fishlock reports on the issues facing a conference on North Sea pollution

Quest to save the seals of the Wadden Sea

EUROPEAN ENVIRONMENT ministers meet in London today for the second international conference on the pollution of the North Sea.

The eight nations that surround the sea have focused attention on the problem of pollution for most of this century. However scientific interest intensified greatly after the first international conference in Bremen in 1984.

Oil contamination is leading to a decline in local bird populations

Ministers there identified a need to reduce the inputs of such pollutants as heavy metals and persistent organic chemical residues.

Subsequent study by a scientific and technical working group under the chairmanship of Dr Martin Holdgate, chief scientific adviser to Britain's Environment Department, has led to an 88-page report which will be discussed at today's meeting. It identifies three worrisome issues:

● Build-up of pollutants such as metals and persistent organics in the water, and sediments in such areas as the Wadden Sea and the German Bight as a result of large inputs from land-based sources and local hydrographic conditions.

● Build-up of nutrients - nitrogen and phosphorus - in water along the coastal belt from the Netherlands to the north of Denmark and in the Skaggerak and Kattegat. That is the result of inputs from waste water, losses from agriculture and local hydrographic conditions.

● Oil pollution from illegal discharges or accidents.

The experts have considered the effect of these issues on planktonic life (microscopic plants and animals), benthos (life on the seabed), fish (particularly fish diseases), seabirds and mammals such as porpoises and seals.

Benthos, for example, provides a good index of general marine environmental conditions. In its case the data, says the research team, suggest four general conclusions:

● Clear evidence of changes close to points of discharge, largely as a result of man's activity.

● Limited evidence that changes are taking place offshore (limited because it is hard to separate changes caused by activities such as fishing from natural changes).

● The possibility that the mortality of benthos off the Danish coast is due to increased inputs of nutrients.

● The most severe effects are usually local, and most studies suggest that they can be reversed.

Another yardstick is the effect on seabirds, but the picture is confused by natural fluctuations in population and food supply.

Many North Sea bird populations are rising, but there are signs that some local populations are falling, mainly because of oil contamination but possibly also as a result of accumulated pollution, says the report.

The main cause of damage to mammals appears to be direct human impact - hunting and pollutants among them. All such animals accumulate organo-halogens and metals, some in high concentrations.

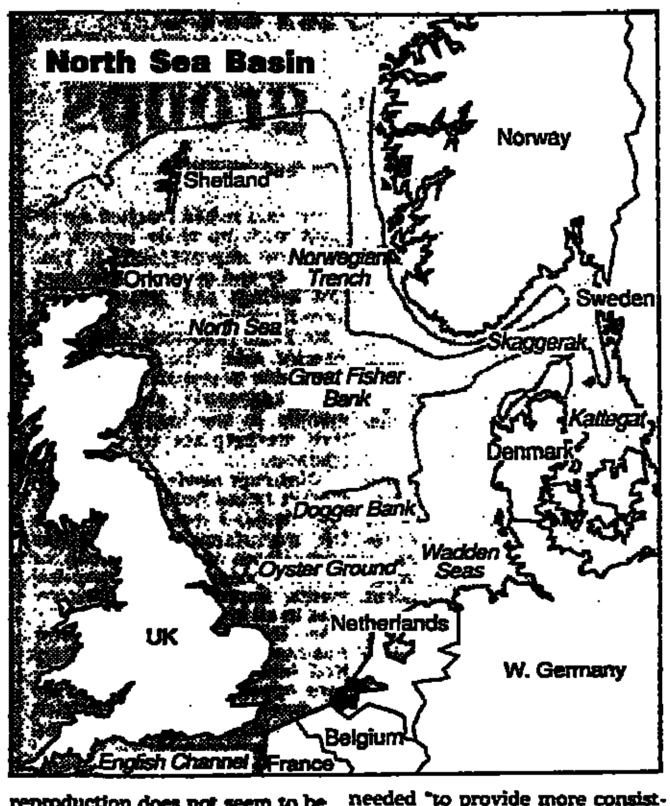
Populations of both grey seal and harbour (common) seal have, in general, increased on the majority of North Sea coasts since the beginning of the century. But grey seal have disappeared from the Skaggerak and Kattegat, although harbour seals have been increasing since the 1960s, when hunting was banned.

The harbour seal, however, has almost disappeared from the estuaries of the south-western part of the Netherlands, while in the Dutch Wadden Sea and the Friesian Wadden Sea it suffers reproductive damage, probably from accumulated polychlorinated biphenyls (PCBs), and is in decline.

High levels of PCBs are also found in seals from the Schleswig-Holstein Wadden Sea, but reproduction does not seem to be affected. Seals have disappeared altogether from the Western Scheldt.

The advice of the experts is that better methods of monitoring North Sea pollution are still needed "to provide more consistent data and to permit links between inputs, concentrations and effects to be established with greater confidence."

Quality status of the North Sea, HMSO, £3.



GEC takes stake in US engine

By David Thomas

GENERAL ELECTRIC Company, the UK engineering and electronics group, has entered the aero-engine business by taking a stake in an engine being developed by General Electric of the US.

The deal significantly extends the co-operation between the two companies, which have no equity connection. It could bring GEC more than £300m in revenue over the lifetime of the project, which will run into the next century.

Ruston Gas Turbines, a GEC subsidiary, is to make a range of components at its manufacturing centre in Lincoln for General Electric's new GE38 family of aero engines. The engines are aimed at the commuter turbo-prop, naval reconnaissance and helicopter markets.

Instead of being paid simply as a subcontractor, GEC has chosen to take a stake in the project and will be paid according to the number of engines sold.

Mr Chris Buck, Ruston's technical director, said GEC opted for a stake because profits would be higher if the engine was a success, GEC would participate fully in development work, and its role as a supplier would be more secure.

The company expected its first revenues in 1991, building up to at least £25m in 1993, an annual level that would be maintained well into the next century, Mr Buck said.

Ruston will be investing about £20m in equipment, sales and product development for the project in the UK and US over the next few years. Its engineers will be working beside General Electric's in developing the engine.

Ruston and General Electric already have a number of collaborative arrangements in industrial gas turbines, the main focus of Ruston's activities.

Three other US-based component suppliers, Garrett, Textron Lycoming and Bendix, will also hold shares in the engine, with General Electric taking the main stake.

Wright had 'badge of authority'

By Raymond Hughes, Law Courts Correspondent

MEMBERS of the British security service should keep secrets, remain mute about their work, and "take their knowledge of the service silent to the grave," the High Court was told yesterday.

That, said Mr Robert Alexander, QC, was the principle the Government was seeking to establish, in its legal actions throughout the world, to stop publication of Spycatcher, the memoirs of Peter Wright, a former MI5 officer, and any attempts by newspapers to publicise his allegations.

Mr Alexander was opening the claim by Sir Patrick Mayhew, QC, the Attorney-General, for permanent injunctions stopping The Guardian, The Observer and The Sunday Times publishing material from Spycatcher or Mr Wright.

The Guardian and The Observer have been subjected to temporary injunctions since July last year; a temporary order was made against The Sunday Times last summer.

Mr Justice Scott yesterday made a ruling under the 1981 Contempt of Court Act that reporting of any Wright material mentioned in court must be postponed until the end of each day, when it would be permissible to report it unless he expressly prohibited it.

Mr Alexander said that although "outsiders" had published books about the security services, Peter Wright was - apart from the double agent Kim Philby - the first "insider" to do so. Because of that, Spycatcher carried credibility and "a badge of authority", irrespective of the truth or falsity of its contents.

Such a breach of trust could do great harm, revealing how the security service worked, who its members were and what it knew.

It destroyed the trust of those in the service and undermined the confidence of countries with which it co-operated.

"It can dismay our allies and comfort those who are ill disposed towards us."

That was why the Government had tried to prevent publication in Australia, New Zealand and Hong Kong - for which, Mr Alexander said, it had been "exposed to media ridicule".

He said the Attorney-General recognised that press freedom was vital for a democracy. But it was not a right: it existed for the public benefit and had to be balanced against other public interests.

It could not be in the public interest for newspapers to "stir up unease" by publishing only one side of the story.

The hearing continues today.

Parliament, page 15.

Brel to reshape with separate business groups

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

BRITISH RAIL Engineering yesterday announced a shake-up in its business organisation as part of its attempt to remain a force in the UK rolling stock and general engineering industries.

The announcement follows a series of orders for rolling stock from British Rail, including a £89m order for the first 194 of a new generation of advanced diesel express trains.

The company is in the process of making 3,000 people redundant, largely as a result of the reduced maintenance requirements of modern rolling stock.

The core of the reorganisation is the formation of independent business groups to separate construction and maintenance work.

That will allow Brel to consolidate construction of coaches, locomotives, multiple units and bogies. This group will also handle construction of Channel tunnel shuttle trains if Brel is awarded part of the contract.

A separate group will handle vehicle repairs, equipment supplies, fabrication and machining, and general foundry work.

Brel said it had reached agreement with its trade unions on long-term improvements in productivity and quality, significant cost savings and greater workforce flexibility.

Mr Peter Holdstock, managing director, said: "The company has to be able to respond in a much more aggressive and positive manner in the highly competitive marketplace in which it operates.

"Customer needs, and external market forces from our competitors, demand that Brel and the UK manufacturing industries with which we place much of our component supply requirements, improve their effectiveness in all areas of operation."

Mr Holdstock said the new business structure would help Brel take advantage of "significant opportunities" such as the Channel tunnel, and British Rail's vehicle replacement and repair requirements.

Brel also hopes to win export orders in India, China and Mexico for its International Coach, and in south-east Asia for its multiple unit trains.

Decision on Best appeal over BT case postponed

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN APPLICATION by Mr Keith Best, the former Conservative MP, for leave to appeal against his conviction of dishonestly making multiple applications for British Telecom shares, is to be heard by three judges of the criminal division of the Court of Appeal.

Mr Best was convicted at Southwark Crown Court on September 30 and sentenced to four months in jail and a £3,000 fine.

The following week he appealed against the sentence and was freed from jail. Lord Lane, the Lord Chief Justice, said that a jail sentence was too severe and that justice would be done by increasing the fine to £4,500.

Mr Best later lodged an appeal against his conviction on three specimen charges of dishonestly attempting to obtain 2,400 BT shares by deception.

His application for leave to appeal was heard last week in private by a High Court judge, Mr Justice Owen, who gave his decision yesterday. He had had three options: to allow the application, to refuse it, or to refer it to a full three-judge court.

The application is not expected to come before the full court until the New Year. If the three judges were to decide to give Mr Best leave to appeal they could go on to hear the appeal itself.

At his trial Mr Best was said to have made six applications for a total of 39,000 shares, using four different bank accounts and variations on his own name, giving the addresses of his legal chambers in Brighton, his constituency headquarters and his mother's Sussex home.

In the appeal against sentence Lord Lane said that the wording of the BT prospectus was such that the reader might be forgiven for assuming that multiple applications would not be regarded with very much disapproval.

Oilfield group buys more US concerns

By James Buxton

THE WOOD GROUP, the privately owned Aberdeen oilfield services company, has completed another stage of its expansion into North America.

It has acquired SIE, a manufacturer of wireline products based in Fort Worth, Texas, together with its wireline services subsidiary Amtec. Wireline products are electronic devices used for monitoring or logging oil and gas wells.

The Wood Group is paying an initial $1m (£565,000) for the two companies to Flextech, a UK-quoted technology holding company. It will make further profit-related payments over the next four years.

The acquisition means that the Wood Group, one of Scotland's most successful oilfield services companies, has in the past two years bought all three of the world's independent manufacturers of wireline equipment, a sector dominated by a few large companies led by the US-French concern Schlumberger.

Last month the Wood Group acquired the Fort Worth-based Wireline Products and Wireline Services divisions of Pengo Industries. In 1985 it bought Petroleum Management of Houston, Texas. It also owns Valstar Oilfield Products in the UK.

Mr John Wood, chairman of the Wood Group, said the latest acquisition would take the company's US turnover to more than $45m a year.

Guernsey tax allowance plan

By Edward Owen

INCOME TAX allowances for 1988 worth more than £4m were proposed by Guernsey's Advisory and Finance Committee yesterday. The proposals are due to be debated by the island parliament on December 9.

The island's income on revenue accounts for 1987 is expected to be £9.2m more than estimated at £99.1m. Income tax receipts exceeded estimates by £7m.

Proposed increases in exemption allowances will mean about 11,000 islanders pay no tax at all next year.

No increases are proposed in indirect taxation and the level of income tax for individuals and companies remains at the 20 per cent rate charged since 1960.

Richard Waters examines a new theory by economists on how to draw up accounts

Accounting conventions may face challenge

A NEW theory on how financial accounts should be drawn up, prepared by a heavyweight team of economists, looks set to question many established accounting conventions.

The lack of a coherent system on which to base accounts has long bedevilled the accountancy profession.

Intractable problems - inflation and acquisition accounting among them - have defied solution, either because accountants have been unable to agree on accounting rules, or because they have been unable to persuade companies to adopt them.

That deadlock could be overcome if there were agreement on what accounts were meant to do in the first place, Mr Colin Mayer, Professor of Corporate Finance at The City University Business School, London, said last night.

He was delivering the Price Waterhouse lecture on public-sector accounting at Leeds University.

His lecture presented an attempt to establish a theoretical framework for accounting, relying on basic economic principles.

The lecture was based on a study produced jointly with Mr John Kay, director of the Centre for Business Strategy, and Mr Jeremy Edwards, Fellow of St John's College, Cambridge.

Accountants have in the past responded to a mixture of political prodding, the special pleading of clients and elements of economic theory when devising accounting conventions. That has often led to creation of imperfect compromises that have not been taken up by companies.

The result is a profound crisis of confidence in a leading profession. "Our failure to grapple with the unpopular subject of accounting standards has brought discredit upon us," Mr Ian Hay Davison, a former senior partner of Arthur Andersen, accountants, and former chief executive of Lloyd's, the insurance market, said recently.

Prof Mayer said: "While piecemeal correction has been preferred to a more radical response, accounting will continue to be troubled by periodic crises until a more coherent system is adopted."

The system proposed by the economists has a great strength and a great weakness:

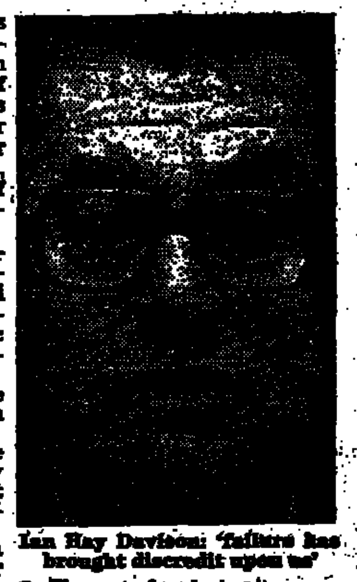
- The strength is that the answers it finds to many accounting questions are not new, although its way of arriving at these answers is.

To that extent, it provides a theoretical framework for accounting rules already in use, and by implication a system for establishing new rules when they become necessary.

"The striking thing is that we, starting from fundamental principles of economic analysis, have ended up with a set of proposals that others have advocated on pragmatic grounds," said Prof Mayer.

- The weakness is that many of the answers it produces are new and will not be palatable to those who draw up accounts. It challenges several entrenched accounting rules the profession is unlikely to be able to change even if it wanted to.

The theory is based on the idea that there are three possible values for an asset:



Ian Hay Davison: 'failure has brought discredit upon us'

- The cost of replacing it.
- Its sale value.
- Its so-called present value, defined as the benefit of possessing an asset.

The one to be used depends on the circumstances: for example, replacement value should be used if that is greater than present value, and so on.

The economists say the rules point to when future investment is justified, that is when the present value of assets is greater than the cost of replacing them, or when a company should pull back its operations, that is when present value is less than net realisable value.

They also provide a better guide to the valuation of companies, said Prof Mayer.

He said: "While they might not have prevented recent slumps in share prices, appropriate accounting rules might have led to a questioning of the high valuations of the past and the low valuations to which we might be drifting in the not too distant future.

"At the moment, despite assertions about fundamentals, we have too little on which to anchor our volatile markets."

However, when these rules are drawn out and applied to specific situations they challenge many fundamental accounting concepts.

For example, the economists conclude that real, as opposed to inflationary, gains on assets held by a company should be recorded as profits each year, rather than only when the asset is sold.

That is likely to find few supporters in a profession that has always said profits should not be recognised until they are realised.

On acquisition accounting, the theory provides an answer that is likely to be equally unpalatable to companies, because it paints the worst possible picture for future profits.

"There is no justification for the creation of provisions, reserves or goodwill to reflect the shortfall of asset valuations below costs of purchase," said Prof Mayer. Where goodwill is associated with an acquisition, then it should be depreciated.

The application of that rule to recent big acquisitions suggests Guinness and Hanson Trust should not have written off the more than £3bn goodwill associated with their acquisitions of Distillers Imperial against reserves. The amounts would have been added to assets values and depreciated, hitting reported profits in future years.

The economists' main conclusion is that historic-cost accounting - the system under which assets are shown at their original value - should be replaced by a scheme that reflects the effects of inflation.

Years of talk among accountants have failed to produce an accepted system.

It is a problem that will not go away, even if inflation has fallen in recent years. Fixed assets remain on companies' books for an average of 17 years. Depreciation charges are understated for that period, because they are based on out-of-date valuations. That means the double-digit inflation that ended in 1982 will continue to affect accounting profits until 1998.

The report proposes a combination of CCA and an alternative system, current purchasing power. In the process it manages to avoid two of the complexities that made CCA unacceptable: an inflation adjustment to working capital and a gearing adjustment.

Inflation accounting, like acquisition accounting, is a subject to which the Accounting Standards Committee is due to return shortly.

Comments from those close to the debate suggest it is no closer to squaring the circle, as it will have to do to appease all interested parties, than it was the first time they were discussed.

The Economic Analysis of Accounting Profitability; Oxford University Press; £6.95.

Civil Service 'facing clerical staff crisis'

BY HAZEL DUFFY

SOME CIVIL Service departments are facing a crisis in their clerical staffing which is making it difficult for them to deliver anything like a quality service to the public.

Ms Margaret Exley, a management consultant writing in Policy Journals, says the shortage is particularly acute in the south where staff turnover levels are running at 30 per cent annually.

Ms Exley believes the damage stems from the Civil Service's "single-minded concentration on cost-cutting through manpower and financial controls at the customer level".

She confirms the view that has been expressed by Civil Service union leaders that in stepping up the managerial element in the running of the the Civil Service, the emphasis has been on reducing costs rather than increasing the quality of service.

Since 1979, investment in training has been mainly among senior staff or specialists. It has been less apparent at the middle and junior levels.

Its effects on the level of service given by the larger public service departments contrasts with the huge effort that organisations such as the Post Office, British Airways, British Telecom and many of the big banks have put into improving customer service.

Communication with staff about the objectives and achievement of targets has improved in some cases but they often been carried out "on a shoestring".

The article suggests the level of commitment by the most senior civil servants to the whole management concept is sometimes lacking. The question concerns leadership.

"Permanent secretaries and civil servants are intellectually able. They have been quick to grasp the content of their managerially enhanced role.

"What is less clear is whether they have responded so positively at the emotional level".

- Mr Richard Luce, Civil Service Minister, wants a greater commitment from government departments and business to secondments of personnel in and out of the Civil Service.

Launching a leaflet which the Cabinet Office is sending to business organisations entitled The Ins and Outs of Civil Service Secondments, Mr Luce said yesterday that such interchanges were "one way of ensuring that the Civil Service is outward-looking and understands the needs and problems of its 'clients'".

Last year, 469 interchanges took place - 280 civil servants were placed in industry and commerce and 189 came into the Civil Service. The total the previous year was 386. The aim is to maintain this momentum at the least.

Survey reveals 6m illiterate

BRITAIN MAY never overcome the scourge of illiteracy, the head of the Government's adult literacy unit said yesterday.

Mr Alan Wells, speaking at a London press conference on the publication of a survey that found 6m people - or one in eight British adults - had difficulty with reading, writing or doing simple sums, said: "There is no simple answer to this problem."

It showed that three quarters of those with problems came from manual working-class backgrounds.

The survey also found that 15 per cent of those with literacy and numeracy handicaps were out of work compared to 9 per cent of those with normal skills.

Optical fibre cable factory opens

By David Thomas

BICC, the electrical cables group, yesterday opened a £15m factory in Whiston near Liverpool, which it believes is the first purpose-built optical fibre cable plant in Europe.

The plant results from a restructuring of BICC's activities in the north-west, where it employs 7,000. This has involved the closure of some capacity dedicated to copper telephone cables, the technology which is gradually being replaced by optical fibre in the world's telephone networks.

Sir William Barlow, BICC chairman, said the plant would mean a big expansion in the company's optical fibre cable capacity, previously housed in a temporary site at Blackley near Manchester.

Sir Willian said the present throughput was 500,000 fibre kilometres but the plant could be expanded to handle several times that amount.

The factory will be fed with optical fibre from a facility on Deeside owned jointly by BICC and Corning, of the US, a world leader in optical fibre.

The plant will employ 140, most of whom have been retrained in the optical fibre cabling technology.

BICC has negotiated a single union and single status agreement with the GMB general workers for the plant.

'Scots too dependent on state' says Chancellor

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

A HOSTILE attitude to enterprise and the creation of wealth was a barrier along Scotland's road to prosperity, Mr Nigel Lawson, the Chancellor, said yesterday.

He told an audience in Glasgow that enterprise in Scotland was "frequently swamped by an overriding sense of dependence on the state. Large areas of Scottish life are sheltered from market forces and exhibit the culture of dependence," he said.

Mr Lawson attributed the "dependence culture" in part to the former predominance of state-owned heavy industries, and to the fact that half of all Scots live in council accommodation compared with only a quarter in Britain as a whole.

But Mr Lawson said he was confident that "attitudes would increasingly change, and indeed force change on paternalistic local authorities." Privatisation and the sale of council accommodation would reshape attitudes in Scotland, he said.

Mr Lawson said that the latest Confederation of British Industry survey of manufacturing industry taken after the stock market collapse was "profoundly encouraging." It showed a record balance of companies reporting order books - and in particular export order books - above normal. "All in all, excellent prospects and business confidence as robust as ever."

Nigel Lawson: confident that attitudes will change

Last night Mr Lawson's opinions were largely rejected on television by an audience of 100, carefully chosen as a representative sample of the Scottish people, who appeared to confirm the Chancellor's views about Scottish attitudes.

A vote taken at the end of nearly an hour's critical questions and robust answers on Scottish Television's weekly programme Scottish Assembly showed that only 34 members of the audience thought the Chancellor's policies were good for Scotland, against 66 per cent who thought they were not.

But that 34 per cent was, as the Chancellor cheerfully pointed out, "considerably higher than the Conservative Party got in the general election" - when it won only 24 per cent of the vote in Scotland.

In another vote, 36 of the audience agreed with the Chancellor that Scotland was "over-dependent" on the UK, against 64 who disagreed.

The sharpest rebuff for Mr Lawson followed a discussion of income-tax cuts. Only 13 people in the audience said they would prefer a 2p cut in income tax to take the basic rate down to 25p, rather than an additional £2.5bn on public expenditure. Eighty-seven people preferred higher expenditure to tax cuts.

A manufacturer in the audience asked by the presenter for his views on tax cuts, also told the Chancellor he thought a reduced role for central government spending risked fostering a "selfish, I'm all right Jack, society."

Newest N Sea oilfield on stream

By Our Energy Staff

BRITAIN'S NEWEST North Sea oilfield, Alwyn North, began producing at the weekend, to start repaying the £1.5bn invested in it by two French oil companies, Elf and Total.

Total Oil Marine, Total's UK subsidiary, said the medium-sized field, 160 miles east of Shetland, was the biggest oil and gas development to come on stream in the UK sector of the North Sea for three years.

The field, approved for development by the Department of Energy five years ago, has reserves of 200m barrels of oil and 27bn cu metres of gas.

It is producing 35,000 barrels a day, which will increase in the next few months to its plateau level of 90,000 b/d. Alwyn is owned two-thirds by Elf UK and one-third by Total Oil Marine, the operator.

The oil is passed via a new pipeline to the Ninian Central platform and from there to the Sullom Voe terminal on Shetland.

Towards the end of December, the field will also begin producing gas, building up to 7.5m cu metres a day.

Europe's power generation by gas 'will treble by 2010'

BY MAURICE SAMUELSON

A BIG increase in the use of natural gas - at the expense of coal - for generating electricity in Europe over the next two decades is forecast in a study of the Continent's gas market published today.

It also predicts a big increase in gas exports by Norway and the Soviet Union, but thinks British imports of gas will continue to be subject to government control, in spite of the industry's privatisation.

Its most significant finding is the claim that as a result of technological and political changes affecting the power industry, by 2010 natural gas might be generating 16 per cent of Europe's electricity compared with 5 per cent at present.

The report is published in London by Wharton Econometrics formed this year from a merger of Chase Econometrics and Wharton Econometric Forecasting Associates, which acts as a consultant to oil companies, independents and other energy-based companies and institutions.

The report, European Gas Markets after Troll, also claims that by 2010 Norway, after the development of its giant North Sea Troll field, could supply twice as much gas as at present. It also says gas can no longer compete on price against oil in the domestic and commercial heating markets and that it is doing so on convenience.

The boost in gas-based electricity is expected because of the commercialisation of combined-cycle gas turbines. Such equipment, commercialised at the end of the 1970s, "now stands to revolutionise the prospects for power generation from gas."

The equipment extracts electrical energy from two different processes in a single system - a gas turbine generator and conventional steam generator - thereby burning the fuel much more efficiently than in conventional plant. Thermal efficiencies of between 48 per cent and 50 per cent are available compared with 43 per cent in conventional gas plant and 38 per cent in coal combustion.

The combined cycle plant is environmentally more acceptable and cheaper to construct than coal and nuclear stations. It also lends itself to smaller units of, say 150MW, which can be increased in number when more capacity is needed. That contrasts with the bigger nuclear and coal-fired plants of 1,200MW or more.

Because of the modular nature of the technology coupled with its environmental advantages, the plant could be installed much closer to centres of electricity demand, leading to a more decentralised system of power generation with lower transmission costs.

A political factor favouring gas over coal and coal over nuclear is "the wave of privatisation sweeping eastwards across Europe". With private utilities expected to show investment discount rates of at least 10 per cent, compared with the 5 per cent permitted in the public sector, privatisation would favour generating plant, such as gas, with the lowest capital costs.

The final obstacle to greater use of gas in power stations could be surmounted next year, if the European Commission revoked its 1975 Directive outlawing gas-fired generation.

In its estimates of future gas supplies from the main producing countries, the report notes that until the Troll field was signed up, Norway had little gas booked after the mid-1990s.

The amount of gas which British Gas chose (or would be permitted) to import would determine the amount of gas produced in UK areas. The report concludes that in spite of privatisation, the corporation will not be allowed to import as much as it wants from Norway and expects imports to reach a maximum of 10m tonnes (oil equivalent) by 2000, with UK production climbing slightly from 38m tonnes at present to 42m tonnes.

European gas markets after Troll. WEFA, Ebury Gate, 23 Lower Belgrave Street, London SW1W 0NW. £5,000 for two copies; £200 for each additional copy.

Kent power stations saved from scrap

BY MAURICE SAMUELSON

THREE OLD power stations in Kent have been saved from demolition in case they are needed to reduce the risk of regional blackouts in southern England.

Two are on the Thames, at Northfleet, near Gravesend, and Belvedere, near Erith, and the third at Richborough, south of Ramsgate.

The plants, more than 25 years old, have been taken out of operation, Belvedere a year ago and the other two last month. Instead of being bulldozed they are to be kept in reserve because of the Central Electricity Generating Board's anxiety about its ability to meet mid-1990s demand.

One station is attracting interest from a private concern that would revamp it to sell power to the national grid or to a local electricity board. That is possible under the 1983 Energy Act which allows private access to the grid, and would not have to await privatisation of the electricity industry.

So that the stations could be switched on rapidly in an emergency, skeleton staffs have been retained at them. The board says emergencies might occur if it is frustrated in its aim to build two coal-fired stations, at Fawley, Southampton, and West Burton, Notts, and a nuclear pressurised-water reactor plant at Hinkley Point, Somerset.

The Energy Department seems to share the concern about looming shortages but the Treasury is understood to be less convinced about the board's demand for at least another 4,000MW in the south by the mid-1990s.

The plants at Fawley and Hinkley Point might also run into serious environmentalist resistance.

The Northfleet station, in which the greatest private interest has been shown, can generate 450MW; those at Belvedere and Richborough are each rated at about 330MW.

All three burn oil. A private operator might consider adapting parts of the stations to burn coal or gas.

The board says talks on those and other old plants have taken place several times with various companies.

In the past four years several sell-off proposals collapsed amid claims investors were offered an insufficient buy-back price by the electricity industry, which under the 1983 Energy Act is obliged to facilitate private transmission through the grid.

However, with electricity prices set to rise over the next two years in line with government policy, the rewards from reopening old stations might improve if there is sufficient demand.

The board wants to generate more power in the south to relieve strains on the long transmission lines through which the area receives up to 9,000MW from the Midlands and Yorkshire.

The board predicts a peak demand in England and Wales of 47,200MW this winter, 1,200MW higher than forecast last winter, which it will meet by burning more oil.

Nearly 8,000MW can be generated by oil but to do so the board says it has to bring back into its normal operating regime three large 660MW generating sets, one at the Isle of Grain, on the Thames, and two at the Littlebrook station in Kent.

At Littlebrook there are three 660MW machines. However, to save money the board had planned to run only one at a time. At Grain, where there are four machines, it had only planned for two machines.

Many executives unsure about pension changes

BY ERIC SHORT, PENSIONS CORRESPONDENT

THE MAJORITY of personnel and pensions executives in companies are still undecided about how to deal with the radical changes taking place in the UK pensions scene next year, according to a survey undertaken on behalf of the Institute of Personnel Management.

The vast majority of executives contacted at 100 companies showed they were fiercely proud of their company pension schemes and protective towards their employees.

As such they expressed their opposition to the new style personal pensions - the centrepiece of the Government's reforms.

However, the survey showed that so far only a quarter of schemes surveyed had or were considering making major changes to the company scheme to meet the challenge of personal pensions, even though the changes come into operation on April.

It would appear from the survey that executives are relying heavily on persuasion and communication to get employees to join and remain in the company scheme, and to discourage employees from taking personal pensions by refusing to contribute anything more than the legally required minimum.

Many executives have expressed their relief that the trade unions are opposed to personal pensions. One executive felt that the unions were doing their work for them.

A similar wait-and-see attitude was being adopted towards equal pension ages and the in-house additional voluntary contribution schemes.

The survey, carried out last month, confirms previous surveys that the majority of personnel directors and pension managers are bemused by the Government's pension changes.

They appear unable to visualise the new conditions under which they will be operating next year, in particular the significance of employees having the right not to join the company pension scheme.

UK NEWS - PARLIAMENT and POLITICS

Parkinson parries protest on price rises

By Ivor Owen

INDUSTRY has "overstated" its case in protesting against the planned increase in electricity prices - about 15 per cent in the two years from April 1988 - Mr Cecil Parkinson, the Energy Secretary, insisted in the Commons yesterday. He said they would affect 0.16 per cent of industry's costs.

Mr Parkinson described electricity costs in the UK as "extremely competitive" and said they accounted, on average, for about 2 per cent of industry's costs.

Mr John Marshall (C, Hendon South) called on the CBI to stop "whingeing" about electricity prices and recognise that they were lower in the UK than in any other major country in the European Community.

Mr Parkinson pointed out that the CBI, after its initial reaction to the announcement of the intended increases, had been "reassured" following a meeting at the Department of Energy.

He told Labour critics that the chairman of the Central Electricity Generating Board had accepted that the industry's rate of return needed to be improved, but had argued that this should be achieved "a little more slowly" than had been proposed by the Government.

Mr Michael Spicer, Undersecretary for Energy, rejected a suggestion by Mr Bob Cryer (Lab, Bradford South) that the ordering of the new Sizewell B nuclear power station reflected the Government's "vendetta" against the coal mining industry and ignored the implications of the disaster at Chernobyl in the Soviet Union.

The minister recalled that Sizewell was expected to cost £1.7bn and contended that the cost of a coal-fired station, taking account of the need to install a de-sulphurisation plant, was "pretty comparable" at £1.5bn.

Rifkind denies about-turn on devolution

BY TOM LYNCH

MR MALCOLM RIFKIND, the Scottish Secretary, denied in the Commons yesterday that he had changed his mind on devolution, insisting that he supported home rule 10 years ago only because he believed that demand for it was so strong that its refusal would threaten the unity of Britain.

Brushing aside determined Labour and Liberal attempts to brand him as a supporter of devolution who had changed his tune to gain a place in the Government, Mr Rifkind, who resigned from the Conservative front bench in 1977 over his support for devolution, insisted that there was now no evidence of strong demand in Scotland for a devolved assembly.

The attack on Mr Rifkind's position began when Mr David Steel, the Liberal leader, opened a debate on the future Government of Scotland with a three-minute extract from a pro-devolution speech made by Mr Rifkind in 1976.

He quoted the minister as arguing that Scotland was the only country on earth with an independent legal system but no independent legislature and that the increasing powers and complexity of government made increased devolution necessary.

David Steel (left) reminded Malcolm Rifkind (right) of his pro-devolution views in the 1970s

Mr Rifkind told MPs: "My views have not changed. Now as then I can see certain theoretical attractions in allowing purely Scottish matters to be determined by an elected Scottish assembly."

During the debates leading up to the 1979 referendum, in which the then Labour Government's devolution proposals failed to achieve the necessary 40 per cent support, he had "succumbed" to the argument that public demand for change was so strong that denial of the Labour proposals - even with the illogicalities he saw in them - might mean the break-up of the UK.

He picked up an admission by Mr David Steel that there was still no answer to the "West Lothian question" - the objection raised at that time by Mr Tam Dalyell that a government with a UK majority but without a majority in England would be unable to carry out its full range of policies because it would have to bow to the will of English MPs on subjects where the Scottish dimension had been devolved.

In a series of bad-tempered exchanges between Mr Rifkind and the Labour front bench, both sides produced opinion poll evidence to support their arguments about public demand, and Mr Donald Dewar, the shadow Scottish Secretary, and Mr James Maxton, his deputy, challenged the minister to hold a referendum on the principle of devolution to assess the real level of support.

Moving a Liberal motion calling for a Scottish parliament elected by proportional representation and with revenue-raising powers as "a first step" to decentralisation throughout the UK, Mr Steel said: "The case for the decentralisation of government and for a Scottish parliament is undeniable, given the great increase in the scope of government over the citizen."

The timing of the Liberal motion was designed to embarrass Labour in advance of the debate on its devolution bill,

Dobson wants fire inquiry to hear evidence 'from top'

BY PETER RIDDELL, POLITICAL EDITOR

THE INQUIRY into the King's Cross Underground station fire last Wednesday should go to the top and hear evidence from ministers, Mr Frank Dobson, a member of Labour's shadow Cabinet, urged last night.

He is the MP for the Holborn and St Pancras constituency which includes King's Cross and several other railway and Underground stations.

The appointment of Mr Desmond Fennell, a leading barrister, to head the investigation was announced yesterday.

Mr Dobson said there should be no repeat of the inquiry into the Herald of Free Enterprise disaster last March. "Most people were disgusted when the inquiry pinned the blame on three people at the sharp end - letting the company bosses and government officials and ministers off the hook.

"The King's Cross inquiry must look into the wider issue of the safety of the London Underground system and the impact on safety of the proposed changes in staffing and other arrangements.

"No one will be satisfied if the King's Corss inquiry points the finger at a cleaner or ticket collector or maintenance fitter. This time no one must be allowed to shelter behind a shield of corporate complexity and irresponsibility."

Mr Dobson argued that if the inquiry did not go all the way to the top "we will all know it's just another establishment whitewash. If no minister of former minister is required to give evidence, we will know the inquiry is not doing its job properly.

He said that an immediate safety audit of all the London Underground must be carried out and the Government should provide whatever funds were necessary to make the system safe. It should reverse proposed cuts in the fire, ambulance and hospital services.

On losing our marbles and reins of power

LABOUR's Tony Banks wanted to give the Elgin marbles back to the Greeks and Liberal leader David Steel wanted to give Scotland back to the Scots by way of a devolved parliament in Edinburgh.

Both propositions were put forward in the Commons yesterday and both are non-starters in the eyes of the Government is concerned. Mrs Thatcher has turned her face firmly against them.

Conservative MP Nicholas Baker warned that it would be a "dagger blow between the shoulder blades" for those with a classical education if the marbles were returned.

Mr Banks, as befits a former chairman of the Greater London Council, was all in favour of largesse in such matters. There were many who believed that the marbles had been stolen from Greece. Why, even Venice was demanding the return of the bones of Casanova.

But as far as Arts Minister Richard Luce was concerned the marbles were legally British and would remain in the British Museum.

Meanwhile Labour's battle-hardened marauders were out in force yesterday yelling their bloodcurdling battle cry of, "Point of order, Mr Speaker". For nearly half an hour they held up Commons business.

Dale Campbell-Savours, the maestro of Commons procedure, complained at great length that the rules of order prevented MPs raising security matters in the House even though these same topics had been aired already in a book by Nigel West, which is the *nom de plume* of Rupert Allason, Conservative MP for Torbay.

Quoting learnedly from Erskine May, the procedural guide, Campbell-Savours clashed repeatedly with the Speaker, Bernard Weatherill, in a manner that came close to emulating the unruly Labour behaviour of recent weeks.

PARLIAMENTARY SKETCH

"Please don't shout at me across the table like that," snapped the Speaker as the Labour MP desperately tried to raise for the umpteenth time a point of order which he insisted was genuine.

Earlier Campbell-Savours had his head down in a huddle with his colleagues Dennis Skinner and Bob Cryer. They looked rather like an American football team thinking up a diabolical game plan.

Sure enough Skinner quickly picked up the ball with a demand to know whether Mrs Thatcher intended to make a statement about the connection of her son Mark with the Dallas company Electronic Data Systems and its bid for a government contract in Britain. Cryer and another veteran of the team, David Winnick, backed him up.

When the Scottish debate did eventually get under way we were treated to a delightful 45 minutes when Malcolm Rifkind, the Scottish Secretary, was tormented over his original espousal of the cause of devolution. Yet here he was moving an amendment which rejected as "irrelevant" the Liberal proposal for a Scottish parliament and claiming it would undermine the unity of the United Kingdom.

With relish Mr Steel spent his first three minutes quoting from the 1976 speeches of Mr Rifkind in which he fulsomely embraced self-government for the Scots.

Mr Rifkind, however, declared himself quite unperturbed by these awkward reminiscences. Clutching his tattered dignity about him, he insisted that he had since changed his views even though he still found certain theoretical attractions in allowing purely Scottish matters to be decided by an elected Scottish assembly.

Needless to say, the main speeches were frequently interrupted from the back benches. If an assembly is ever convened in Edinburgh one thing is certain - the first cry to be heard in that chamber will be "Point of order, Mr Chairman".

John Hunt

Amendment to bill aims to improve race relations

THE GOVERNMENT is to amend the Local Government Bill to widen the scope of provisions aimed at improving race relations.

Mr Michael Howard, Minister for Local Government, told a delegation of church leaders yesterday that, under the amendment, local authorities will be allowed to promote equality of opportunity and good relations between people of different racial groups.

Mr Howard did not define the practical consequences of the amendment. But his announcement was the first clear signal from the Government that it is prepared to drop part of its previous opposition to local authorities including social clauses in contracts.

The amendment accords with the position taken by the Commission for Racial Equality, which had earlier argued that the Bill did not go far enough in promoting racial equality.

According to the CRE, a previous version of the bill ammounted, in effect, to a repeal of the Race Relations Act, at least as far as the exercise of a local authority's purchasing powers are concerned.

Nevertheless the Government has yet to answer criticism that the bill's failure to address sexual discrimination in the way it tackles racial discrimination seriously prejudices the position of women at work.

Yesterday Mr Howard also reiterated the Government's position that the inclusion in the bill of a local labour provision, as demanded by Labour-led local authorities, conflicted with European Commission rules.

The 1987 Local Government Bill was introduced into Parliament following the May general election and is currently in committee.

Labour call for wider register of interests

By Ivor Owen

LABOUR backbenchers yesterday renewed their campaign to ensure that MPs are obliged to include the business activities of their relatives when supplying particulars for the Commons register of interests.

This followed a report that Sir Robert Armstrong, the Cabinet Secretary, had found it necessary to draw the attention of Mrs Margaret Thatcher, the Prime Minister, to the involvement of her son, Mr Mark Thatcher, with a company seeking a computer contract from a government department.

Referring to the report Mr *Dennis Skinner (Lab, Bolsover)* said: "It seems to me that it is not what you know but who you know and I do not think we should have this kind of nepotism bandied about in Britain."

The Speaker (Mr Bernard Weatherill) insisted that it was "patently not a matter" of order and told Labour backbenchers who persisted in referring to the role of the Prime Minister's son that any suggestions about extending the scope of the entries in the register of interests should be made to the Commons procedure committee.

Secrets measure fails to win Thatcher's backing

BY PETER RIDDELL, POLITICAL EDITOR

MRS THATCHER has again brushed aside the attempt by a Conservative backbencher, Mr Richard Shepherd, to use a private member's bill to reform the Official Secrets Act.

In response to a direct appeal for consultations from Mr Shepherd and other sponsors of the bill, Mrs Thatcher says that after "very careful reflection" she still does not believe that a private member's bill is "the right vehicle for amending the law in this difficult and sensitive area".

She argues that "the issues involved go to the heart of the function of government and the security of the state. For that reason, I do not believe it would be fruitful for us to enter into a dialogue about the substance of the bill".

Ministers have said that the Government is seeking to devise "an effective, enforceable and reasonable alternative to section 2 of the act", the clause which bans the communication of all kinds of official information.

Mr Shepherd's measure, the Protection of Official Information Bill, is due to have its second reading on January 15. It has received cross-party support from a number of senior ex-ministers, though Mrs Thatcher's opposition makes it likely that the ministerial vote, plus sympathisers, may be mobilised to vote it down.

In her letter Mrs Thatcher *stresses the difficulty* of the issues involved on which the Government has not yet reached conclusions. She says that Mr Douglas Hurd, the Home Secretary, will "certainly look out for you again before the second reading of your bill to let you know how procedurally we propose to move forward".

In a speech last Saturday, Mr Shepherd said it was "vital to strike the balance between those state secrets that we all agree should be defended and protected by criminal law and the generality of all that other, often trivial government information which does not require the sanction of the criminal law".

Anger over spy writer

BY IVOR OWEN

MR Dale Campbell-Savours (Lab, Workington) led complaints in the Commons yesterday that Mr Rupert Allason (C, Torbay) is able to refer to security matters when writing books under the name of Nigel West which cannot be raised in the Commons.

With support from his Labour colleagues Mr Campbell-Savours argued that the clearance which Mr Allason had secured for his book, Matter of Trust - MI5 1945-1972, originated from civil servants acting on behalf of ministers while the same ministers were able to shelter behind the rules of order to avoid answering questions about such matters in the House.

The Speaker (Mr Bernard Weatherill) explained that he was bound by the rules of the House and by precedent and when Mr Campbell-Savours persisted in pursuing the matter on a point of order told him "Please do not shout at me across the House".

Owen call for Europe to increase its influence

BY OUR POLITICAL EDITOR

THE LEADING European countries should work together more on economic and foreign policy issues so that their voice and influence count alongside the two existing superpowers, Dr David Owen, the former leader of the Social Democratic Party, urged yesterday.

He was giving the Toronto Star lecture in Canada under the title, Europe - the new superpower?

His central theme was that the period of unquestioned rule by the Soviet Union and the US has now come to an end and European countries are, and should be, playing a larger role.

"There is now a power vacuum in the western democracies and only a united Western Europe has the breadth of interest and influence to help fill it."

Given the strengths of Europe, Dr Owen argues that its countries can make good any US troop reductions in Europe that are taken to contribute to cutting the US structural (budget) deficit, while Britain and France can take steps to buttress the US nuclear guarantee in the wake of such troop reductions.

He maintains that to fill the gap left by US troops, the Germans should pay more out in military expenditure and the French should increase its manpower, by committing to the forward defence of Germany.

On the economy, Dr Owen says the European Monetary System should be restructured, Britain should join its exchange rate mechanism, a European Central Bank should be established and a new Group of Seven exchange rate mechanism should be created as part of a package for dealing with the US deficit.

He urged a shift back to multilateral disarmament negotiations.

All of these trends indicated, he said, that the assumption that Western Europe never should, and never would, be capable of being classified as a superpower was fast becoming out of date.

BUSINESS LAW

Brussels' dream of merger control

By A.H.Hermann, Legal Correspondent

LAST WEEK the European Court in Luxembourg endorsed* the Commission's 1984 decision that agreements by which the US-based Phillip Morris, and the South African-based Rembrandt Group became joint owners of the UK-based Rothman International, do not infringe the competition rules of the Community.

It will hardly come as a surprise that the other two leading competitors on the European cigarette market, BAT and R.J. Reynolds, thought that the Commission was not doing enough to protect competition. The EC Commission, however, hails the Court's judgment as "a breakthrough for the competition policy."

In spite of this clear bill of health given to a highly suspect arrangement, Mr Peter Sutherland, the EC Commissioner for competition, sees in the judgment an "unambiguous confirmation by the court that Arts.85 and 86 apply to transactions relating to changes in corporate ownership (and) will help the Commission to develope a merger policy on sound legal principles and market analysis."

BAT, the UK tobacco group, and RJ Reynolds of the US, alleged in their complaint to the court that the Commission's U-turn in this case was due solely to a political intervention channelled through a former vice-president of the Commission. However, the Commission refused to disclose its administrative file and the court rejected this complaint on the grounds that no evidence was submitted to support it.

Why should Mr Sutherland want to use such an unsuitable case in his efforts for merger control powers? Because on 30 November 1987 the Council will be called upon to agree on the principle of Community-wide merger legislation. The expansive interpretation of the Court's judgment must be seen as a desperate attempt to make the reluctant Council believe that if they do not give the Commission merger control powers it can use the Court's tobacco judgment with a vengence.

The vengence would derive from the particular nature of Art.85 which not only prohibits anti-competitive agreements, but also makes them automatically null and void. If Mr Sutherland is right, all suspect acquisitions would have to be immediately notified to the Commission to avoid fines running into millions. They could be attacked in national courts with the consequence that shares would have to be returned to the original sellers. Parties might have to wait for years, if not decades, before the Commission made up its mind. The Commission's officials admit that the powers which they claim under the tobacco judgment would not apply to contested takeovers. Even so, what an awful mess would result - and this prospect, they hope, will oblige the Council to adopt a more orderly alternative.

Fortunately, a look at the judgment itself reveals that it is a rather anodyne document which would hardly attract wider attention if it was not for the horrors which the Commission's officials try to read into it.

The dispute

The contest between the four largest tobacco companies operating in the Common Market was reported in this column with some detail on 12 December 1986.

Responding to the Commission's objections, the two groups reduced the Morris participation in Rothmans from the originally agreed 50 to 30 per cent (the same as retained by Rembrandt) with only 24.9 per cent of voting rights. Both groups retained the right of first refusal should the other partner wish to sell its shares. There were some other undertakings designed to exclude direct managerial control of Morris over Rothmans.

BAT and Reynolds insisted that the changes in the agreement were only formal, leaving the market sharing effect as before. However, on March 22 1984, the day after the revised agreement between the two groups was signed, the Commission wrote to BAT and Reynolds rejecting their complaint. They appealed to the European Court.

The Advocate General

Mr Advocate General Mancini had no doubt that the Commission failed to recognise that the agreement was capable of eliminating conflicts between parties and enabled them to avoid competition in Europe and worldwide. To reject the complaint by BAT and RJR, the Commission felt obliged, said the Advocate-General, to declare that 25 per cent voting rights in a competitor with a dominant position in an oligopolistic market is not contrary to the pohibition of Arts.85 and 86. The Commission's decision suffered from a grave lack of reasoning and the Advocate-General concluded that the Court should annul it.

The Court

The case was not heard by the full bench of the court, indicating that the court did not view the case as involving any issues of great general importance. Instead, it was assigned to the sixth chamber of five judges, two of which, Judge Iglesias and Judge Kakouris, have been with the Court only a short time. This rather weakly-constituted bench, with no direct experience of French, UK or Italian law, confirmed the Advocate-General on law but reversed him on facts. It accepted the Commission's view that the anti-competitive object or effect of the agreements was not established. The judges said that the Court's review of the Commission's factual findings was necessarily limited to procedure, reasoning, manifest errors and abuse of power. No such fault was found.

The Court said that the main issue was whether, and in what circumstances, the acquisision of minority shareholding in a competing company, agreed between companies which have remained independent, might constitute an infringement of Art.85. It held that the acquisition of an equity interest in a competitor does not in itself restrict competition but may serve as an instrument to such end.

The Court continued: (in par 38) "That will be true in particular where, by the acquisition of a shareholding or through subsidiary clauses in the agreement, the investing company obtains legal or de facto control of the commercial conduct of the other company or where the agreement provides for commercial co-operation between the companies or creates a structure likely to be used for such co-operation. That may also be the case where the agreement gives the investing company the possibility of reinforcing its position at a later stage and taking effective control of the other company."

The Court dismissed the application of Art.86 in four brief sentences. Abuse of dominant position, it said, can only arise where the shareholding results in effective control or at least some influence on the commercial policy of the target company and it was not established that the 1984 agreements had any such effect.

Interpretation

The Commission's spokesmen take paragraph 38 of the judgment out of context, arguing that it gives the Commission a new power to control acquisitions under Art.85, perhaps only with the exception of contested takeovers.

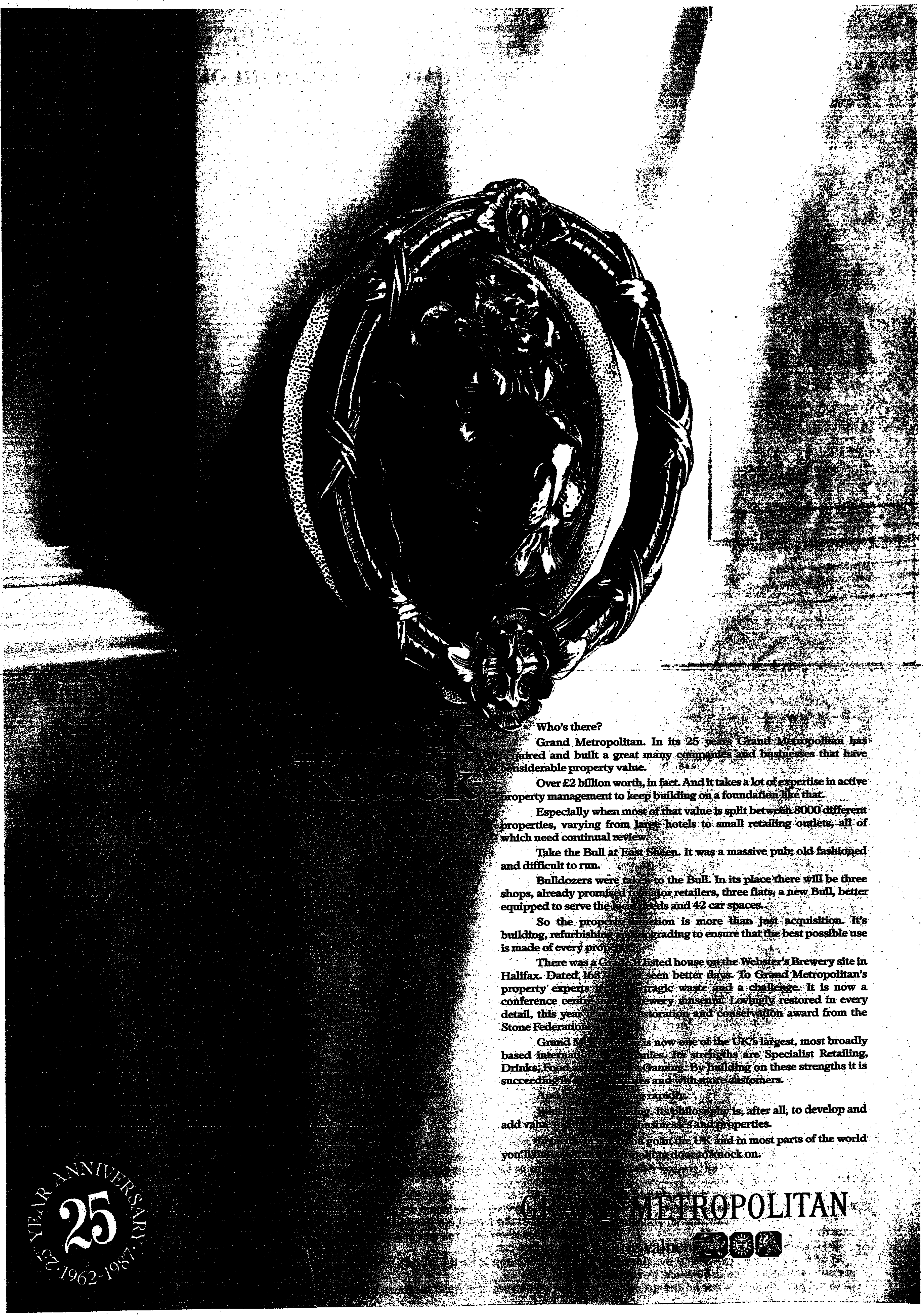
However, there is nothing new in saying that acquisition of shares in a subsidiary or the creation of a joint venture may be an instrument - one of many possible - of an anti-competitive agreement between two competitors who remain independent. The court emphatically denied that it is anti-competitive in itself. The only novelty of the judgment is, on the contrary, in its tacit confirmation of the Commission's new rule that acquisitions of less than 25 per cent of voting rights by an oligopolist in a competing company does not in itself create the presumption of influence likely to restrict or distort competition.

Some UK lawyers do, however, take paragraph 38 of the judgment as if it was a clause in an English statute. This leads them to conclude that any acquisition of equity leading to "legal or actual control" may be contrary to Art.85. Indeed, one complaint against such an acquisition has already been made to Brussels as soon as the news of the judgment was received in London.

However, the rulings given in an European Court's judgment must not be interpreted as clauses in an English statute. They must always be understood in the context of the entire judgment, which in this case is about creating a joint subsidiary by two out of four leading companies, allegedly to share the market. Moreover, as the European Court never tires of reminding us, EC judgments, decisions, directives and regulations, and even specific provisions of the Community treaties, must be interpreted in harmony with the overall system of Community law. This system provides for the control of mergers and acquisitions only in the Steel and Coal Community Treaty but not in the EC Treaty. The EC competition rules are addressed only to the behaviour of companies not to structural changes in industry.

One cannot assume that the court wanted to rewrite the Treaty in such a fundamental way. And one can be certain that if it did contemplate such an unconstitutional act, it would have the courtesy to do so with the authority of its full bench and would not leave it to its most junior chamber to challenge the Council and the member states.

** Joined cases 142 and 156/84 British American Tobacco and RJ Reynolds Industries v EC Commission supported by Phillip Morris Incorporated and Rembrandt Group Ltd, judgment (sixth Chamber) of 17 November 1987, unreported.*


Knock Knock
Who's there?
Grand Metropolitan. In its 25 years Grand Metropolitan has acquired and built a great many companies and businesses that have considerable property value.
Over £2 billion worth, in fact. And it takes a lot of expertise in active property management to keep building on a foundation like that.
Especially when most of that value is split between 8000 different properties, varying from large hotels to small retailing outlets, all of which need continual review.
Take the Bull at East Sheen. It was a massive pub; old fashioned and difficult to run.
Bulldozers were taken to the Bull. In its place there will be three shops, already promised to major retailers, three flats, a new Bull, better equipped to serve the local needs and 42 car spaces.
So the property function is more than just acquisition. It's building, refurbishing and upgrading to ensure that the best possible use is made of every property.
There was a Grade II listed house on the Webster's Brewery site in Halifax. Dated 1687, it had seen better days. To Grand Metropolitan's property experts it was a tragic waste and a challenge. It is now a conference centre and a brewery museum. Lovingly restored in every detail, this year it won a restoration and conservation award from the Stone Federation.
Grand Metropolitan is now one of the UK's largest, most broadly based international companies. Its strengths are Specialist Retailing, Drinks, Food and Leisure & Gaming. By building on these strengths it is succeeding in more countries and with more customers.
And it's growing rapidly.
Which is not surprising. Its philosophy is, after all, to develop and add value to all its brands, businesses and properties.
So wherever you go in the UK and in most parts of the world you'll find a Grand Metropolitan door to knock on.
GRAND METROPOLITAN
Building value
25 YEAR ANNIVERSARY
25
·25·1962-1987·

Injecting growth into the livestock market

Peter Marsh reports on novel techniques to produce faster growing animals with leaner meat

THE immune system - the complex bodily mechanism used by animals to ward off disease - may soon come into play in a set of novel techniques to produce leaner, faster-growing pigs and cattle.

In future, these animals may be encouraged to develop into "superbreeds" as a result of injections of chemicals acting similarly to the vaccines used to immunise against illness.

The immunological methods promise to become important in the quest to find safer chemicals to promote growth in animals. Sales of such products are likely to run to hundreds of millions, if not billions, of dollars a year in the 1990s.

Work in this area has come to the forefront because of widespread concern about potential health problems caused by steroid-based growth products, which have been used for years to fatten beef cattle, particularly in the US.

These steroids are not broken down in the metabolic reactions inside the animal. The chemicals remain in its body and are later transferred to the stomach of a person, sometimes, it is feared, with unpleasant consequences.

A European Community ban on steroids, which is due to come into force in January, has helped to trigger interest in replacement techniques.

Most of the work so far in novel animal-growth products has centred on producing, by genetic engineering, hormones such as somatotropin which animals secrete naturally to aid their metabolic processes.

Regular injections of somatotropin could, so researchers envisage, either speed up growth or encourage an animal to produce more milk. Administering extra quantities of these hormones to animals would not be unsafe for humans because the substances are broken down in the creatures' stomach before slaughtering takes place.

The new, immunity-based approach takes a different tack. It works by tricking the immune system in animals not so much to encourage growth processes as to stop others which inhibit growth.

At the heart of this idea are the antibodies, or highly specific proteins, which the body's immune system routinely produces to kill invading antigens or foreign organic material. These antigens include the viruses that cause disease.

Under some circumstances, antibodies can be stimulated via a vaccination to interfere with the metabolic machinery of cells. In particular, they can act in such a way that production of particular hormones which reduce growth is slowed down. One such anti-growth hormone - which normally works as a kind of brake to ensure that animals do not develop into giants - is called somatostatin.

With the inhibitory factor severely restrained, it follows that the animal develops more quickly - in much the same way as it would if given steroids or somatotropin-like hormones.

There is, however, a great advantage in that, once given a stock of the appropriate antibodies, the hormone such as somatostatin is "turned off" on a semi-permanent basis.

Although "top-ups" of the antibodies would be needed - in much the same way as a person has to receive booster injections now and again to ward off an illness like diptheria or measles - the extra doses would be required far less regularly than the fresh shots required in the simple administering of growth hormones.

Among the companies working in the area of immunity-based growth methods is Ciba-Geigy, the Swiss pharmaceuticals giant, which is conducting research in collaboration with Genentech, a leading US biotechnology company.

Another company investigating the immunological technique is International Minerals and Chemicals, a US concern which is already well on the way towards turning out growth products based on the somatotropin concept. Bill Summers, new-products director at IMC's Pitman-Moore animal-health subsidiary, which has recently built a $50m facility to turn out growth hormones for pigs, says the immune technique is "an excellent idea" although it is still some years from commercialisation.

A variation on the immunological approach - and one which works with a startling directness - has come from the Hannah Research Institute in Scotland, which is financed by the UK Government's Agriculture and Food Research Council.

Here scientists have injected rats with monoclonal (very pure) antibodies which operate by attacking certain types of fat cells, destroying them in exactly the way that they would mop up invading viruses. The technique has proved effective in turning out rats with particularly lean meat, something that could be promising commercially if applied to livestock.

The method, similar in concept to ideas that scientists have about destroying, with monoclonal antibodies, malignant cells in patients suffering from cancer, has similarities to the other immune-based growth methods - though it has a certain extra elegance in not involving the operation of hormones.

The work at the Hannah institute has won the financial support of the British Technology Group, the UK Government's technology-transfer arm. This is funding the institute - together with three other UK academic establishments which are also working on the concept - with $250,000 to bring its development work nearer the commercial stage.

Peter Bailey, director of the group's pharmaceuticals division, says the research has "attracted tremendous interest" from companies which are interested in taking up the technique under licence.

In due course, it is thought that companies planning to turn out growth products based on somatotropin may find the immunological methods a better long-term bet.

Companies in this category include major US chemicals companies such as American Cyanamid, Upjohn, Eli Lilly and Monsanto, all of which plan to introduce over the next few years genetically-engineered cattle somatotropin, predominantly for boosting milk production.

Scientists also believe that immunity methods along similar lines to those on which the Hannah researchers in Scotland are working could have a major application in the area of human medicine, in treating people suffering from obesity.

It is thought that, if antibodies could be found of a certain specificity and operation that they "mopped up" the fat cells in human tissue, an overweight individual given a dose of chemicals via a vaccination might be automatically helped towards a leaner, fitter future.

It is likely, however, to be many years before any such medications are available. The safety consequences of such as immunological procedure would have to be investigated at great length to ensure that reducing the fat cells in this way did not at the same time lead to changes in other aspects of the body's development that could have harmful effects.

Finns plumb the depths of dredging versatility

BY GEOFFREY CHARLISH

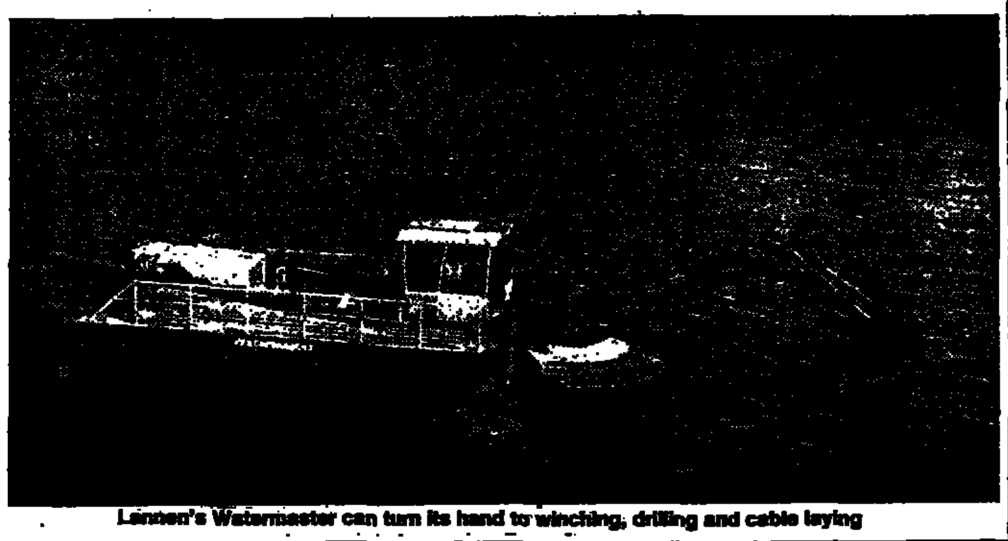
LIKELY TO prove a winner in lake and river conservation areas and at civil engineering sites, is a 10-metre (33 ft) Finnish dredger which its maker, Lannen, claims to be a "totally new concept in dredging."

Called Watermaster, it has a versatile reach. It is a combination of excavator and pumping system in which the bucket can be deployed out to 6.5 metres radius on an arm that can rotate through 180 degrees in the horizontal plane in front of the boat.

Twin dredging pumps work from the bucket through pipes that can either spray the dredged material many metres on to ground beyond any adjacent bank, or can take it through a floating pipe system to discharge into the water up to 500 metres away.

Lannen claims that due to packing of solid material in the excavator bucket, the pumped effluent has a much higher solids content than in conventional suction dredging. Cutters in the pump inlet shred any vegetation or root material.

A useful bonus is that the excavator can be used conventionally for digging banks and building embankments.



Lannen's Watermaster can turn its hand to winching, drilling and cable laying

WORTH WATCHING

Edited by Geoffrey Charlish

Calling out from the back of a cab

IN THE UK, Radamec Electronics of Andover in Hampshire has developed a unit which can be fitted in a taxi, in conjunction with a Motorola cellular radio, to allow calls to be made from the cab and paid for at the same time as the fare.

Called Radaphone, the system extracts basic call cost data signals from the Motorola radio and combines them with any charge loadings that the taxi operating company wishes to add.

The total cost of the call is displayed by the Radamec unit. Designed to work on the Racal Vodafone network, Radaphone can be adapted for other cellular systems. Prototypes have been supplied to a new company, Capital Taxiphone, which will supply complete systems to cab operating companies, initially in the London area.

Radaphone also enables Capital Taxiphone to plug in a hand-held computer (the Psion Organiser, which Radamec Electronics also makes) in order to extract financial and call traffic data.

The key to quick claims settlement

A NEW company, Audatex (UK), has been set up in London to market a system for computerised accident damage assessments. It is designed to allow quick estimating and agreement over costs between insurance assessor and repair shop.

The system is based on filling in comprehensively designed paper worksheets, complete with graphics showing "exploded" diagrams of the vehicle in question.

Details from the form are fed into the assessor's or the repairer's terminal and are sent over a phone line to the central Audatex computer. A damage cost calculation is sent back in seconds and the final printed assessment is prepared in a matter of minutes.

Hydraulics display miniature might

MICRO-MINIATURE hydraulic pumps and motors, according to UK company Commercial Hydraulics Bedford, can make hydraulic power competitive in applications previously dominated by small electric and pneumatic drives. Typical applications include robotics and automatic handling systems.

The smallest of a new range of units made by the company measures only 41mm square by 57mm long and can deliver 185 watts (0.25 horse power).

Hydraulic motors take up as little as seven per cent of the space needed by the equivalent electric motor. In addition to this high power/volume ratio, the drives can operate fully enclosed and need no ventilation to remove heat.

They also do not need special protection against wet, dust, or atmospheres that are hazardous to electrical equipment.

The torque characteristics, claims the company, are ideal for low speed start/stop operation. Noise levels produced are also low.

GM steers towards 'all plastic' car

THE FACT that modern plastics and composite materials are lighter than steel, more resistant to dents and do not rust, might lead one to think that today's car bodies should be entirely composed of them.

In fact, automotive components already account for about five per cent of all plastics consumed and the materials are not particularly expensive.

The real problem with the "all-plastic car", says Robert Eaton of General Motors' technical staffs group, is in getting the costs and technology of large-scale production to the point where it is in the car makers' interests to invest in plant and tooling.

Most of the other problems, such as brittleness in some applications and the difficulty of getting a good surface finish, can be overcome, says Eaton. And the day of the plastic mass-produced car is approaching at GM. A Chevrolet pick-up truck already has bumper, side panels, front and rear members and tail lamp pockets moulded in plastic as a single unit.

Electronics given compact support

A NOVEL approach to the problem of supplying up-to-date operational support information for a manufacturer's electronic products has been taken by Hewlett Packard, the US-based computer company.

HP has put all the necessary information on a CD-ROM (Compact Disc read only memory), an optical disc which can be likened to a gramophone record with an extremely large data storage capacity.

Initially available to users of the HP 3000 business computer, the service, called LaserROM, provides regular mailings of updated discs containing reference manual information, application notes, solutions to known problems and other data.

The disc holds 200,000 pages of information and runs on a CD drive used with HP Vectra or IBM PC/AT computers. It employs a keyword search method which means, says HP, "that customers can now spend time using information rather than looking for it."

Overall safeguard for forestry workers

BETTER PROTECTION for forestry workers is afforded by new overalls with six times the chain saw cut-through resistance compared with conventional protective garments.

The garments use a fabric reinforced with Kevlar, developed by Hero Textil of Crailsheim in West Germany. A cut-resistant insert, using a looped material with reinforcement of the Du Pont fibre, protects the whole of the front side of the leg.

CONTACTS: Radamec: UK, 0264 62800. Audatex (UK): London, 623 3456. Commercial Hydraulics Group: 0234 50501. General Motors: US, (313) 986 5716. Hewlett Packard: UK office, 0734 696622. Du Pont: Switzerland 22 378802.

MANAGEMENT: Small Business

Italy's Cortis/Lentini

Lombardy double act

Alan Friedman on two entrepreneurs' path from software to CAD/CAM

THEY ARE AN incredible pair: Enrico Cortis is the ideas man, the marketing director, a bearded extrovert. His partner, Riccardo Lentini, meanwhile, is the bespectacled, shy and methodical technician.

These two gentlemen, neither one a university graduate, represent yet another example of the energy and verve of Italian small business. Starting from scratch they have, in less than ten years, built a computer software/hardware and consulting business that employs 125 people, will this year enjoy around L16bn ($12.5m) of turnover, is moving into services for computer aided design, factory automation and artificial intelligence and has as its operating headquarters a modest three-storey house in an even more modest village in Northern Lombardy, just outside Bergamo, in the foothills of the Alps.

How did they do it? They met in 1977, both had the same idea (that the office computer market needed specialised software programmes) and then proceeded to put their backs into the project.

Cortis, who is 39, grew up in Bergamo, enrolled at Milan's prestigious Bocconi business school and then dropped out in 1970. He joined a training course at Honeywell's Milan office and stayed there for three years before moving on to devise a computerised payroll and inventory system for a small furniture producer in the prosperous Brianza region of Lombardy.

But provincial rivalries run deep in Italy and his wife, who came from Bergamo, "couldn't stand to live anywhere else." So it was back to Bergamo in 1977 to set up a computer consultancy. "I was getting tired of being an employee," recalls Cortis.

The mild-mannered Lentini, who is 41, had a similar problem with his wife, but it has not been resolved. He came from Brescia and began his working life in a motorbike factory at the age of 17. At the age of 21 he attended a computer course and went to work for a paper company in Bergamo. "It was difficult to live in Bergamo. You see my wife's family is in Brescia," he recalls. It should be noted that the distance between Bergamo and Brescia is less than 30 miles.

In any case, Italy was discovering office automation and Cortis was getting lots of work as a consultant. ("I was in the office from six in the morning till late at night".) So when he met Lentini through a mutual friend the two decided to team up.

In 1978 they got together L5m of initial capital, sub-let a small office and hired a telephone answering machine and founded Cortis/Lentini as a limited partnership. In the summer of that year the partners met "some people from Hewlett Packard" and liked the HP 250 so much that they became agents to sell the multi-task mini-computers.

Then they devised a turnkey package consisting of their own software and the hardware and reached a formal agreement with Hewlett Packard to write an accounting programme.

The bearded Cortis plays with his red polyester tie and smiles as he recalls that "for six months in 1979 we locked Lentini in a room and made him write programmes." By the end of 1979 Cortis/Lentini was selling its first complete packages of computers, software and consultancy.

In 1980, with both nostalgia for Lentini's home town and an eye on the market, Cortis/Lentini opened offices in Brescia and Saranno, north of Milan. The staff jumped to 15 employees and turnover was up to L1.35bn (L1.1bn of hardware, L150m of consultancy and L100m of software).

They tried not to borrow from banks - the exception was a L24m loan in 1979 to buy an HP 250. And they claim that they lived on savings and family help and did not take a salary for the first two years.

Soon Cortis/Lentini was hiring systems analysts from Hewlett Packard. In 1983 they opened an office in Sicily, at Catania. Why Catania? "Because we had an employee who came from Catania and wanted to live there," explains Cortis. By the end of 1983 the company had jumped to L5.9bn of turnover and employed a staff of 40.

Unlike most small businessmen in Italy, Cortis and Lentini did not mind diluting their equity stakes, as long as they retained joint majority control. So they arranged to dole out minority stakes to office managers around the country and each held on to 30 per cent.

In 1984 new offices near Bergamo were financed from cash flow and in the same year Cortis/Lentini made its first acquisition, paying L50m for a small CAD/CAM company in Brescia. Thus began the diversification into CAD/CAM training and the design of interface networks between numerical control systems and computers.

In 1985 the company hired three industrial automation experts and trained 20 people to work on the software side of flexible manufacturing systems. They were rewarded with contracts from companies such as Fiat Tractors and Seleco, the television set manufacturer.

To date Cortis/Lentini has invested L500m in computer integrated manufacturing because the partners reckon they must expand and diversify in order to survive. The latest plan is to develop expertise in the area of artifical intelligence so that Cortis/Lentini can get a piece of this action "when the market matures."

As for the two partners, they dream of going to the stockmarket some day, another sign that times are changing in Italian small business.

This article concludes this series, previous articles in which appeared on September 15, 29, October 13, 27 and November 10.

Enrico Cortis (left) and Riccardo Lentini

THE IDEA behind this series was to explore the phenomenon which has seen hundreds of thousands of such ventures created in recent years, and to try and understand both the cultural and financial processes that have made Italian entrepreneurs so much more dynamic than many of their Northern European counterparts.

The more one meets the men and women who make up the "backbone of the Italian economy" the more one learns that apart from factors such as subsidised bank loans and tax evasion, these people are major risk-takers, somehow lacking the in-built caution or even fear of the new that can be found elsewhere.

How else can one explain the owner of a tiny textile firm who gets on a plane and takes his samples to a trade fair in China? Or how can one explain that seated in a scruffy trattoria in Bergamo, two miles from the offices of Cortis/Lentini one finds seven Chinese state industry officials eating ravioli with a couple of small businessmen who sell engineering equipment?

Perhaps there is no scientific way of analysing the 'secret of Italian small business success. Perhaps the explanation is that the Italian small businessman is still an extraordinarily fearless individual, a calculating risk taker who reckons that the very worst that can happen to him is to fail.

In brief...

AFFORDABLE insurance cover is a significant problem for small businesses, particularly those in the inner cities. The Association of British Insurers has launched a set of eight advice files for the small firm containing information on the types of insurance available, how to buy insurance and ways of reducing risks.

As part of its programme to increase awareness of insurance by small business the ABI is setting up pilot insurance advice centres in Birmingham and Manchester.

The insurers last year launched an inner cities insurance initiative jointly with the Department of Employment aimed at helping small firms with problems.

Contact: ABI, Aldermary House, Queen Street, London EC4N 1TT. Tel 01 248 4477 or your local Small Firms Centre.

●

THE BRITISH Overseas Trade Board is running a three-day series of seminars from December 1 to 3 at the Business Design Centre Islington, in north London.

Daily seminars will be held for newer exporters and smaller firms with advice on choosing markets, finding the finance, appointing distributors, agents and licences, deliveries and payments. Topics for more experienced exporters include export finance, international money management and counter-trade.

The Export 87 seminars will run alongside the Export 87 Exhibition. The cost of the Into Active Exporting seminars is £25.

Contact BOTB Marketing and Briefing Unit, 1 Victoria Street, London SW1H 0ET.

●

VENTURE capital has a reputation for being concentrated in the south-east of England but the industry is making efforts to broaden its appeal. The British Venture Capital Association is to hold a two-day regional conference at the Holiday Inn, Cardiff on November 30 and December 1. Speakers will include major investors and businessmen from the area and representatives from the venture capital industry.

Contact the BVCA on 01-229 4072 or 01-836 5702 or write to 1 Surrey Street, London WC2R 2PS.

INSIDE EDGE

Practising what he preaches

Michael Ullman tells Michael Skapinker why *entrepreneur in residence* is not a contradiction

"YOU GET people saying 'I really want to start my own business, but Bain is offering me $50,000 and I have a wife and two children'.

"My answer is 'let Bain bore you to bits for two years and then start your own business'," says Michael Ullmann.

Ullmann, 41, has started a few businesses in his time. He used to buy houses in London and elsewhere in the UK and convert them into flats. Then he went into frozen hamburgers.

Since last April he has been happily ensconced at Insead, the European business school in Fontainebleau, where he revels in the title of entrepreneur in residence.

What is an entrepreneur in residence? Ullmann asked the same question when Insead offered him the post. "They said that was for me to define," he says. Entrepreneurs, of all people, should not expect easy answers.

"People say 'isn't entrepreneur in residence a contradiction in terms?' A poet in residence is meant to write poetry. Well, I'm still involved in business. I practice what I preach."

He has major stakes in two toy companies. One is a German importer and distributor. The other is a British manufacturer which had been started by his grandfather. When it went bankrupt, he helped the management to buy it, and took a stake himself. "I see myself as a direct investor rather than a stockmarket investor," he says.

He encourages students at Insead to think about starting businesses of their own. He helps to teach a course on new ventures and is investigating the introduction of other courses on entrepreneurship and venture capital.

His own business experiences are taught as case studies at Insead. In the end, everything turned out all right for Ullmann, but there were plenty of harrowing moments along the way. One can't help wondering how many students, hearing of his travails, make a silent vow to stay within the secure and well-paid confines of international consultancy for the rest of their days.

When he came down from Oxford in 1969, Ullmann spent some time running a clothing factory in Durham. Then he bought a house in London and converted it into flats. He built up a successful property business, only to lose a lot of money when prices crashed. "I bought a yacht in 1974 and sold it in 1975," he says.

In 1977 he decided to go off to Insead to do a Masters of Business Administration degree. While there, he met another British student, Richard Ashness. The year after their return to England they decided to go into the food business together.

The idea they hit upon was not going to win anyone a mention in the Good Food Guide. It was called the Hunky, "a complete heat and serve, deep-frozen hamburger in a box, specifically intended for quick meals in British pubs."

"It was a classic example of what people who have spent time and money acquiring MBAs shouldn't do," Ullmann says. "It was a new product and a new market, neither of which we knew about."

The pubs were initially enthusiastic, but repeat sales were sluggish. The publicans were supposed to heat up the hamburgers in a microwave oven, but many were serving them cold.

In 1981 Ullmann heard from his hamburger supplier that Bejam, the frozen food retailer, was planning to sell two food manufacturing concerns and a marketing and distribution company. The manufacturing companies made hamburger rolls and "pizza buns". They were jointly owned by Bejam and an independent entrepreneur.

The third company, Kara, distributed the products of the manufacturing units as well as those of Chic-O-Roll, a producer of frozen Chinese meals.

Ullmann had funded the Hunky operation himself. To buy the three companies, the partners raised a loan from County Bank, which demanded an equity stake.

Ullmann and Ashness were very excited by the package. They thought they could find additional outlets, while Bejam's retail strength would ensure healthy sales of hamburger and pizza buns and Chinese meals.

As soon as the takeover was completed, however, things began to go wrong. Bejam said it would no longer sell the pizza buns. Chic-O-Roll said that it would stop marketing their Chinese meals through Kara.

There was more of this sort of thing in the years that followed, including a major investment in machinery that didn't work properly. But Kara finally began to show a profit and in May Ullmann sold his stake for well over £1m.

Was it all worth it? He has no doubt that it was. How much use was his MBA to him? "MBA training is an enormous help. This business went up and down like a yo-yo but it never went bust. One of the reasons is we always did cash flow forecasts. If you give this information to your bankers and say 'there's trouble ahead, what are we going to do about it ?', they love you."

He understands why some MBAs are attracted to large companies, but he thinks that some of the problems associated with being an entrepreneur are exaggerated. "Getting to the top of BP is tougher than making hamburger buns," he says.

"We have this image of an entrepreneur as an out-and-out risk taker. In fact what happens is the entrepreneur gets up in the morning and says 'where is the risk and how can I get someone else to take it?' You get banks to lend you the money and people to lend you factories and they're taking the risk. The thing to remember is that use is more important than ownership."

As an entrepreneur "you may have to give up on the Rolls Royce and the security. But you gain independence - or at least dependencies of your own choosing. You're dependent on your financial backers. You're terribly dependent on your customers and you're dependent on your suppliers. But you've got a choice of who you're dependent on."

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CONTRACTS

Bracknell offices for ICL

WILLETT, a Trafalgar House company, has been awarded three projects, worth a total of £15m, in the south of England.

The largest, worth £7m, is a *high-tech office complex* at Waterside Park, near Bracknell. A joint venture between London & Edinburgh Trust and Tarmac Properties, the building will provide regional offices, a customer event centre, a research facility, and a service centre for ICL.

At the Forum, Stevenage, the company has started work on a £5.3m shopping complex for *Goldquill. It comprises a steel-*framed superstore, and shop units. The piled foundations will be constructed by associate Trafalgar House company, Cementation Piling & Foundations.

At Basildon, Essex, Willett is building a £3.2m *140,000 sq ft* single-storey steel-framed warehouse for Trafalgar House Industrial Developments. The warehouse will be a storage and *distribution* centre for CRS and will comprise two-storey integral offices, eight dock-levelling devices, and a lorry park. Piling was again carried out by Cementation Piling & Foundations.

Military equipment for seeing in the dark

BARR & STROUD, Pilkington's Glasgow-based electro-optics company, has secured a contract to supply thermal imaging equipment for the US Army's Pedestal Mounted Stinger (PMS) air defence system. The company's entry into the programme is via Magnavox Electronic Systems, US licensee of Barr & Stroud's thermal imaging technology, recently chosen by Boeing Aerospace as the sub-contractor for *the forward looking infrared* (FLIR) sensor on PMS.

Barr and Stroud, with its sister company Pilkington PE in north Wales, will also supply fully assembled zoom infrared telescopes *for the front end optics of* the FLIR system.

The combination of production in the UK and royalty payments over the lifetime of this first US order is expected to yield something over £5m.

Under the terms of the contract, Barr & Stroud will manufacture an initial quantity of PMS imagers and then produce components for the assembly at Magnavox to cover the initial US Army order for 273 fire units.

According to Boeing Aerospace the US Army's requirements could reach 1,200 systems with the US Marine Corps also looking for about 300 systems. However, with Stinger being sold to foreign customers, total sales could well be double the US requirement.

The PMS will provide air *defence cover for rear areas of* armoured and mechanised divisions and is known as the line-of-sight rear element of the US Forward Area Defence System.

Fabricated steel structures

KEPPEL ENGINEERING, a division of Keppel Corporation, has secured two contracts worth $5m (£2.7m) to supply and fabricate steel structures for two recovery boiler houses. The two contracts were awarded by Gotaverken Energy Systems who had given a similar contract worth $2.7m (£1.5m) to Keppel Engineering last year.

Under the first contract, which is worth about $2.94m (£1.64m), more than a 1000 tonnes of steel will be supplied to Nekoosa Papers Inc, a turnkey recovery plant in Ashdown, Arkansas, US. Steel structures fabrication for the project commenced in July 1987 and the first shipment is expected to be made later this month to Houston, US, followed by the second in December.

For the second contract, 1000 tonnes of steel will be used for the *Morrum Bruk boiler house in* Sweden. The delivery of fabricated steel structures will also be made in two shipments to Port of Karlshamn, Sweden. Work began last month and completion is scheduled in February next year.

Refurbishing pumping station

PEEBLES FIELD SERVICES, Birmingham, a business unit of NEI Peebles, has won a contract worth £500,000 from the Thames Water Authority to refurbish Sundridge pumping station near Sevenoaks in Kent.

The contract covers the design, supply, installation and commissioning of two pump sets, external pipework, valve actuators, switchboard and automatic control equipment, a diesel generator, cabling, civil and building work modifications.

Another NEI company, NEI International Combustion, Derby, will be supplying internal pipework and valves as sub-contractors to Peebles Field Services.

Work on the contract has started and is on schedule for completion next April.

NEI Peebles and NEI International Combustion are part of Northern Engineering Industries.

Quiet drilling for oil at Wytch Farm

BOLDON DRILLING, a Bestwood company, *has been* awarded a £3m contract by BP to drill for oil at Wytch Farm, Dorset, the largest onshore oilfield in Western Europe.

For the environmentally-sensitive contract, the company is using its new Rig 91, which can drill as deep as 4268 metres, to sink wells on four sites at Wytch Farm. Normally the rig would be dismantled and loaded onto a conventional transporter for each well-to-well movement, but to save time and reduce local noise a 'gliding' transporter is being used.

The company has also assured BP that from 300 metres away the noise of its oil drilling will only be 40dB(A), equivalent to about a quarter of the noise level commonly experienced in an *office or restaurant.*

Wytch Farm oilfield has recoverable reserves of 230m barrels and BP anicipates all its wells will be on stream by 1989.

Services at Tesco stores

SULZER (UK) BUILDING SERVICES has been awarded contracts totalling over £1.7m for installation of mechanical and domestic services at six Tesco *stores.*

Existing systems will be stripped out and refurbished at Tesco stores in Aylesbury, Cheshunt and Pontypridd, while at Rugby, Solihull and Worcester new *store installations* are being made. At Solihull the project includes the new Notcutt Garden Centre.

The work includes air-conditioning, extract ventilation and low-pressure hot water for heating to various areas of the stores; domestic water services are being provided to preparation areas, bakery, staff and public toilets and customer catering areas. In the Notcutt Centre, gas radiant heating is being installed.

Building massive car body press

Lebranchu, Beauchamp, near Paris, France, a supplier of prototype and short-series car body components to the European automotive industry, has ordered a Quintus fluid cell press from ASEA METALLURGY, Sweden. The $4m press, which is claimed to be the largest in the world in terms of forming pressure and press force, is scheduled to enter service early in 1989.

The press will be 24 metres in length (including two feed tables), 4.9 metres high and weigh 312 tonnes. It will have a forming area of 1.6 x 4 metres, press force of 120,000 tonnes and forming pressure of 1,400 bar.

The forming pressure is enormous compared to that of conventional presses. It corresponds to the pressure exerted by a car weighing 1,400 kg on each square centimetre of the forming area, the press force is equivalent to around 64,000 such cars and the weight of nine Eiffel towers.

Investment

Lebranchu, with 900 employees and an annual turnover of FFr 620m (£60m), *is purchasing* the Quintus press as part of an investment programme which has already led to the installation of CAD systems, a five-axis N.C. *milling* machine, *laser* trimming equipment etc.

Introducing fluid cell press technology for the manufacture of car prototypes and short-series production has considerable advantages in terms of lead time and consistency compared with conventional long-series production. Car parts are currently manufactured in conventional presses with two rigid tool halves or in low pressure rubber pad processes followed by hand forming by hammers.

A fluid cell press requires only one rigid tool half, the other half consisting of a rubber diaphragm with high pressure buildup. This concept *substantially modifies* the tooling approach and improves the quality level.

Scottish National Gallery/William Packer

Manzu moulds his magic

The Scottish National Gallery of Modern Art in Edinburgh has lately filled its principal galleries with a substantial selection of the work of the veteran Italian sculptor, Giacomo Manzu (until January 3: then on to Liverpool and Oxford). The exhibition, which enjoys the patronage of the Italian Government and the sponsorship of Glaxo, treats the themes with their variations that have consistently engaged him rather than a full retrospective of his career: the child, the seated and reclining figure, clothed and nude, the portrait head, the still life, drawings and bronzes, *and a massive carving* or two which come rather more as a surprise.

Manzu is now nearly 80 and, since the death of Henry Moore, the undisputed Grand Old Man of modern sculpture. A celebration of his life's work at this point might be thought as no more than his due and, but there is rather more to it than that. At the Venice Biennale of 1948 he had shared with Moore the spoils for sculpture, winning the Italian against the other's international prize, and for the next 15 years or more he prospered in his international standing. That was a time when sculptors everywhere could still address the figure without calling their avant garde credibility into doubt: but times change, and in Britain Manzu has been all but invisible for the better part of 20 years. For a major public institution to give him the review he deserved might well have seemed *mischievous, if not* perverse, even with in the last ten years.

But ours has become a revisionist age: the reappraisal of artists' reputations, up or down, is the currency of criticism, and the retrieval of work from long or comparative neglect is always a matter of real interest. But, recently the character of such reassessment has changed. With the work of old and modern masters alike, an habitual and astringent puritanism in expectation and response has given way to something much more generous, open-minded and hedonistic. Where once such things as form, structure and declared ideas were alone held necessary to critical justification, now effect, physical expression, and enjoyment too, have their proper place. See who have come back into focus to enjoy a real, as opposed to grudging, respect: *Rubens, Tiepolo, Hals,* Watteau, Fragonard, Lawrence, Sargent, Renoir, Bonnard, and Matisse at his most bougeois - in short all the slick and flash Harrys of the recent history of art whom we were taught to distrust for being so very clever, and disregard for being unserious.

Manzu was Moore's junior by some ten years but virtually his contemporary in actual career. Venice both brought them together and confirmed their international reputations; subsequently, though never close associates, they showed together on occasion and evidently enjoyed a mutual respect. A mature understanding, however, could hardly have characterised the younger men. For though he would turn to modelling himself in middle age, the young Henry Moore was vehement in his commitment not merely to carving as such, but to carving direct - working directly into the material in intuitive and flexible response to its physical nature and the emergent image. "In Donatello I think I see the beginning of the end," he declared in 1925, all of 27 years old himself and fresh from the Royal College of Art. "Donatello was a modeller, and it seems to me that it is modelling that has sapped the manhood out of Western Sculpture."

Manzu, for his part, was ever the modeller and from the start a conspicuously fluent exponent within precisely that *high* European tradition, reaching back through Rodin and Bernini to Donatello, that the young Moore rejected.

It is the old business of Truth to Materials, a principle salutary in its time, but never absolute, for it would deny something of the transforming magic of art. With carving the issue is simple enough, for the artist is stuck with the block under his hand *which readily declares its nature.* But with modelling, where is the truth to lie: with the bronze of the final state that is either intractable or molten, or with the working clay, that in itself is dull, lumpen and lifeless?

Facility is still something of a dirty word in criticism, and yet it is only facility of a high order that can bring clay to life - or paint or stone for that matter. But where so many materials available to the artist are innately seductive, a lump of clay remains in inept hands no more than a lump of clay. Cast it into bronze - as so many artists who should know better still demonstrate - and all we have is a lump of bronze: the only transformation one of comparative expense.

But Manzu's work is a true reflection of his relationship with his material, which is one of ease and natural understanding. Each bronze is the unaffected record of its working in clay, yet carries too the traces of its moulding and casting: the final object is manifestly artificial and contrived, but truthful to itself. And yet it is the image, that informs the object, that finally commands the imagination: the figure observed, simplified and then restored and revived. The life that moves these figures is only in the mind, but none the less real for that, and infinitely touching in its humanity.

The more direct the work, the closer it is to observation and experience, the better. The children crouch as children always do at play; the young girls curl and lean and stretch; the model sits four-square on the throne; the lovers, in the most vigorous maquette of all, throw themselves into a ball. Even the two large ebony carvings of reclining figures, necessarily more ponderous, seem less to address themselves to question of ebony than to the light turn of the body and the smooth crease of the flesh. How good that we can now enjoy such things for what they are.

"Bambine sulla sedie," bronze, 1955

La Sylphide/Paris

Clement Crisp

To see an old ballet, which one thought could hold no further surprises, revitalised by new insights, new theatrical tensions, is an exhilarating experience. So it proved last week when the Royal Danish ballet brought *La Sylphide* to the Paris International Dance Festival. The staging was in no way innovative: the Danes trust Bournonville, and the traditions of performance that have grown up in the century since his death are in never disruptive of the choreography's intentions. But the characters in his ballets remain open to new thinking, and it is to the enormous credit of Arne Villumsen as James, and to Sorella Englund as Madge, that these Paris performances made the drama seem freshly conceived, newly intriguing.

Mr Villumsen, the company's leading danseur and a most sensitive interpreter of Bournonville's heroes, has a darkly handsome bearing that suits him perfectly for James. From the first, we are aware of something haunted in his manner: he is predisposed to strain against the conventions of marriage with Effie, and like many a Romantic jeune premier, he will be tempted and destroyed by an impossible love. There results a portrait of a man passionately obsessed by the sylph, perhaps even aware of his fate, and aware that in Madge are incarnate those elements of predestination that threaten him. The ballet truly becomes that battle between good and evil which Bournonville in his time comprehended as an undercurrent of Romanticism and its excesses.

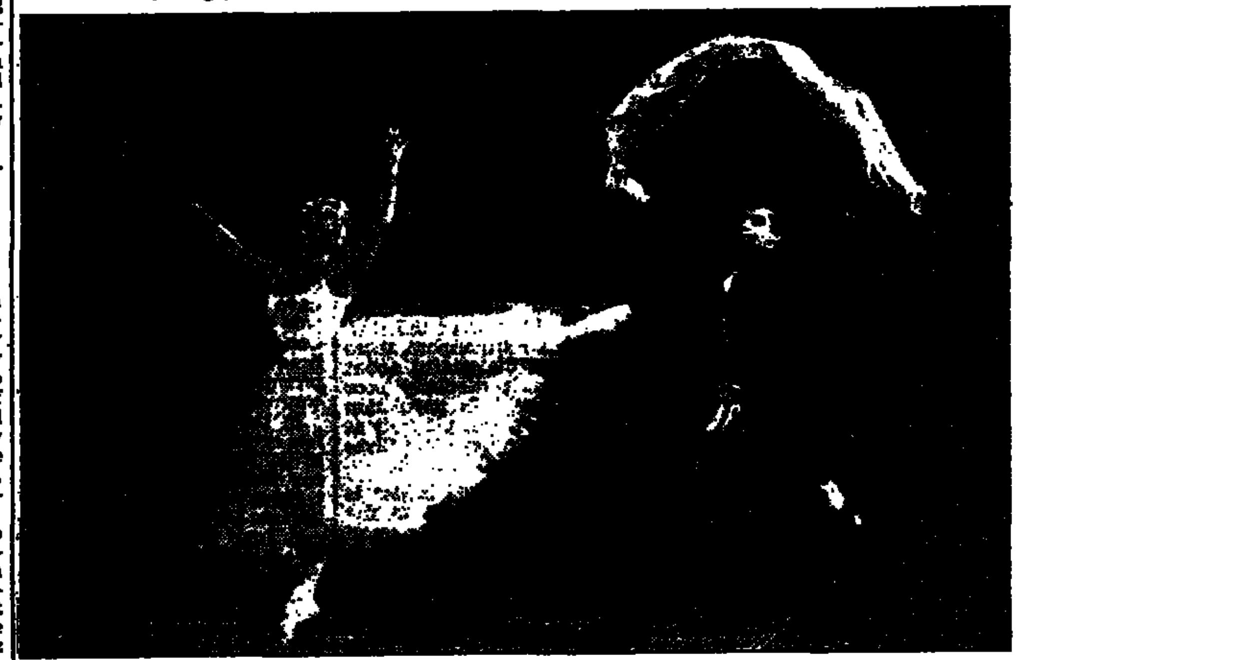
Danish commentators have voiced a theory that the sylphide and the witch, Madge, are sisters. Sorella Englund's hypnotic portrayal of Madge makes this entirely credible. She shows us not the conventional old crone, but a younger woman, red-haired, limping, touched with madness, and perhaps even knowing some attraction towards James (a nuance which becomes clear to us only at the ballet's end). Her destruction of James can thus be interpreted as a revenge for his brutal rejection of her and his obsession with the sylph.

I hasten to add that there is nothing obvious in Miss Englund's wonderful presentation of the role. My view results from the vivid interaction between James and Madge which runs as a sustaining thread through the action. The other key to the emotional boldness of the production lies in the passionate drive of Mr Villumsen's James, whose every gesture is powered by force of feeling. His obsession with the sylph masters him completely, and the run to the window, when the sprite appears to him, tells everything of his devotion. The scene with the scarf, James tempting the sylph, reveals him drunk with her presence, mad with the idea that he must possess her fully, the dance fevered, intoxicated in its fast spans of movement. It has never before in my experience been better done, nor more truly a crescendo of passionate longing.

The sylphide of the evening, Mette-Ida Kirk, gave a pretty and always pleasing interpretation, very appealing in the second act, but the axis of the ballet lay between James and Madge, and the drama acquired all its vitality thereby. Here we could sense that "beautiful danger" which Bournonville so mistrusted in Romanticism, those irrational and destructive elements which make *La Sylphide* a profoundly serious ballet, and not just an animated lithograph of the 1830s.

The Danish cast - the clean, stylish corps de ballet, the lovingly true characterisations of the first act - show this to perfection. Perfect, too, the Highland setting for the second act by Soren Frandsen, with its rocks and distant views of a glen. Unforgettable the last pose as Madge gazes at the fallen James, surveying what she has destroyed through motives that only become plain at this closing moment, as the ballet achieves *its final focus. The complexity* and beauty of the interpretations by Mr Villumsen and Miss Englund speak of great artistry; the company performance tells of the continuing excellence of the Danes' dance traditions.

As a curtain-raiser to *La Sylphide*, we saw the newest acquisition to the repertory, staged this month for his parent troupe by Ib Andersen. Mr Andersen has spent the past decade as a principal of the New *York City Ballet, and in his first* creation in Copenhagen he has made a charming, and well-crafted exercise in plotless dance after the fashion of Balanchine. The rhythms of his two scores - Johann Strauss's *Roses from the South* and Liszt's second *Hungarian Rhapsody* - prove the piece's title, *One Two Three, One Two*. Four couples, young, blonde, white-clad - an angelic octet - move lightly through classically exact and attractive dances which reveal the performers's beautiful schooling.



Mette-Ida Kirk and Arne Villumsen

Giulini/Festival Hall

Richard Fairman

An exhibition featuring the life of the chorus master Wilhelm Pitz is currently on display at the Festival Hall. Although it is almost 15 years since his death, his work has not been forgotten and the Philharmonia Chorus, of which Pitz was the founder and proud builder, continues to strive towards the standards that he set.

This concert - one of a pair including Mozart's Requiem, conducted by Carlo Maria Giulini - marked the chorus's 30th anniversary. Although it is by no means a choral showpiece, the work did precisely show off some of their best features: the purity of the sopranos and altos floating their haunted lines through the "Confutatis", and the regal magnificence of their full sound in the "Rex tremendae majestatis". This was the old oratorio tradition at its best.

For the rest, the performance was very much in Giulini's current manner. It is no good going along to this conductor's concerts these days in the hope of hearing the passionate thrust of emotions that used to course through his music-making in the fifties. The spontaneity has faded away - in fact, more than that, Giulini has consciously sought to suppress it. Every corner of the score is now meticulously prepared in advance.

To my mind the music is left with no life of its own. But if that does not bother you, this serious and reverentially slow performance will have had any amount of detailed work to commend it in all departments bar one. The exception was the soloists, who were an ill-assorted group: Elizabeth Harwood, on a bad night, was not well paired with the voracious Wagnerian mezzo of Anne Gjevang, nor was the tight tenor of Peter Seiffert with the sonorous bass of Robert Lloyd.

In the first half we had Mozart's Symphony No 39 - measured and euphonious, lovingly shaped, a touch reverential again. There was much admirable detailed work here too, especially in wind solos that sang out with real eloquence. Through the slow movement the Philharmonia strings had clearly been exhaustively rehearsed on inflections for every turn of phrase, but sadly they were far from unanimous in getting them together.

Britten's Canticles/Wigmore Hall

Richard Fairman

The five Canticles rank among Britten's most intimate compositions. Written over a period of almost 30 years, they were each intended for performers to whom the composer felt especially close: Kathleen Ferrier in the case of the Second Canticle, the instrumentalists Dennis Brain (horn) and Osian Ellis (harp) in the third and fifth respectively - and throughout all of them the inimitable tenor of Peter Pears, whose influence can be felt on their poetry and music alike.

As far as I am aware, it was never intended that all five should be gathered together as a group. At Sunday afternoon's Wigmore Hall recital, however, the pieces seemed natural companions, at once sprung from the same germinal idea and yet fascinatingly different. And now that almost all the original performers have passed on (only the counter-tenor James Bowman was with us here) the programme also gave a new generation the chance to show their paces.

As it happens, none of the Canticles is among Britten's easier vocal music to interpret. The principle behind them is that they should set poems of a length or complexity that would be impossible in ordinary songs, and difficult texts (Eliot, Sitwell) are often made more difficult still by some self-conscious moments on Britten's part. To skate over the words, though, as Maldwyn Davies did in the First Canticle, is not the answer to their problems.

Fortunately this was not a foretaste of what was to come. Three tenors had been called upon to share the Pears mantle: Neil Mackie, who gave a light and articulate account of the Fifth Canticle, *The Death of St Narcissus*; Philip Langridge on sturdy form in the Second and Fourth; and Davies again, who returned with much more verbal point in *Still falls the Rain*.

The Second Canticle, *Abraham and Isaac*, was wisely left till last; as it is both the best known of the group and also the most attractive. With Bowman and Langridge well cast in the twin roles of father and son, and an alert accompanist in John Constable, it had a performance that was fresh and satisfying - notwithstanding just one backward glance to Ferrier, who must have sounded so marvellous in it.

Ovchinikov/Barbican Hall

Andrew Clements

Vladimir Ovchinikov passed over the concerto spot reserved at the Barbican for the winner of the Leeds Piano Competition in the week after the finals. Ian Hobson, who was placed second, took his place. A chamber orchestra had been hired for the evening, a Mozart concerto was obviously expected, and Ovchinikov's preference clearly is for later, grander works. Instead he arrived in London for his debut on Sunday afternoon, a recital of Liszt and Rakhmaninov that carefully reflected his prize-winning performances.

Dominic Gill's report here of the Leeds final described Ovchinikov as an "exceptional talent." That was amply confirmed by this solo appearance, though at the same time it raised some questions about the scope and size of that talent. There is no doubt that he belongs to a different breed from the finest of the previous winners: he is not an intuitive poetic musician like Lupu or Perahia, nor an inspirational one like Alexeyev at his best; he is rather a supreme technician of serious purpose, with the insight and intelligence to tackle the the grandest romantic piano literature.

Ovchinikov's Liszt is immaculately schooled, unflamboyant and slightly cool; it is refreshingly clear-headed but at the same time wanting in emotional frisson.

The Reminiscences de Don Juan was one of the sensations of his semi-final recital, and repeated here with an even greater accuracy it became a genuine *tour de force*. But the highly coloured bravura needs little extra heightening, and in a group of five studies too - including a magically delicate *Waldesrauschen* and glinting, fastidious *Gnomenreigen* - the sheer technical aplomb was its own reward. In the E major Polonaise, however, Ovchinikov seemed unwilling to impose any character on what was made to seem a protracted array of sequential passagework, and moments in his Rakhmaninov group, which began with three of the Op.33 Etudes-*tableaux*, suggested a similar lack of initiative.

There was, still, a great deal to admire, especially in the Rakhmaninov Second Sonata, which Ovchinikov presented in its original, uncut version. He did not always sustain its length; the caustic brilliance of a Horowitz is really required to sustain tension throughout the first movement, though the multi-stranded development was moulded with great skill. And the poise of the opening paragraph of the slow movement, the theme unfolded with unhurried ease was immensely impressive; so too was the ebullience of much of the finale.

One longs nevertheless to hear Ovchinikov in music that demands other aesthetic precepts, if only to dispel the uneasy feeling that he is a pianist bespoke to the corner of the repertory he presents so convincingly. One Beethoven sonata might allay all the fears.

Indo-jazz group on tour

Four of India's leading musicians and an American jazz/rock guitarist are joining forces to form a group named "Peshkar" and will play at the Queen Elizabeth Hall in London on December 1 at the start of a 12-date tour for the Arts Council's Contemporary Music Network.

BBC Symphony/Festival Hall

Andrew Clements

Christoph von Dohnanyi is currently Music Director of the Cleveland Orchestra, but his name has recently been linked with at least two London orchestras. He appeared with one of those, the BBC Symphony, at the Festival Hall on Saturday in a programme that reflected his current American tenure rather than the central European affiliations for which he is best known here.

The evening's event was the *European premiere of the latest* work by Philip Glass. *The Light* is Glass's first orchestral score; it was written for Dohnanyi and the Cleveland, who gave the first performance last month. The commission marked the centenary of the Michelson-Morley Experiment, which provided the first accurate measurement of the speed of light, and became an important precursor of Einstein's Special Theory of Relativity. Glass has already explored that nexus of ideas in the opera he wrote with Robert Wilson in 1975, *Einstein on the Beach*, and the 20-minute orchestral piece is another hymn to scientific thought: a slow introduction is intended to represent the limpid outlines of classical science, and leads to more complex, faster music that signifies the lack of certainty in post-relativistic physics.

In the years since *Einstein* Glass's lithe minimalism has *developed a middle-age spread;* the aggregations are more luminous and succulent, the patterns alternated less remorselessly. The introduction of *The Light* is a striking progression of glistening chords, brought back at the end of the work to wind it down, but the faster music is less fresh - an uneasy amalgam of static filigree and shifting, rhetorical riffs. And because the slow-fast scheme carries associations with the romantic introduction and allegro the lack of goal-direction in the faster music is more than usually unsatisfying, and the textures lack real intrinsic interest.

Dohnanyi realised the score with careful elegance; the BBC SO responded well to his sensitive direction. His account of Ives's *Three Places in New England* utilised all the reserves of tonal control that are such a feature of his readings of the Second Viennese School, as convincing in the impressionist hazes of the first of the set as in the gallimaufray of marches and dances of the second. Bartok's Concerto for Orchestra was also distinguished by relaxed eloquence, confident rhythmic drive and unflamboyant orchestral assurance; with such results Dohnanyi would be a good thing for any London orchestra able to sign him.

Arts guide

November 20-26

Opera and Ballet

LONDON

Royal Opera, Covent Garden. The latest revival of the now rather decrepit Zeffirelli production of Tosca serves as vehicle for Eva Marton's first London appearance in the opera, and for the conductor Guiseppe Sinopoli's reappearance in the house. There are further performances of the new production by Elijah Moshinsky of Mozart's Entfuehrung, a friendly, rather messy show. Georg Solti keeps the music on rather a tight rein. (240 1066).

English National Opera, Coliseum. The final run of Jonathan Miller's Mafia style Rigoletto is distinguished by John Rawnsley in the title role and Anne Dawson as a beautiful and touching Gilda. There are further performances of the new Barber of Seville, produced by Jonathan Miller, with Della Jones and Alan Opie; and of Sondheim's Pacific Overtures, a brave, worthwhile addition to ENO repertoire (836 3161).

PARIS

Paris Opera. Norma alternates with Macbeth in Antoine Vitez' production. The prestigious cast is conducted by Michael Schoenwandt (47425750).

Theatre de la Ville. Angelin Preljocaj's Hallali Romee, in which stylised attitudes and gestures of hands and the pelvis are supposed to create an identikit image of Joan of Arc (42742277).

WEST GERMANY

Berlin, Deutsche Oper. Madame Butterfly has fine interpretations by Raina Kabaivanska, Yoko Nomura and Giorgio Merighi. Turandot in Goetz Friedrich's production features Linda Kelm and Peter Gougaloff. Der Fliegende Hollaender has a strong cast with Janis Martin, Kaja Borris, Toni Kramer and Robert Hale. (34381).

Hamburg, Staatsoper. Don Pasquale with Hellen Kwon, Paolo Montarsolo and Urban Malmberg together. Also in the repertory The Nutcracker, choreographed by John Neumeir. (351151).

Cologne, Opera. This week's highlight Tannhaeuser stars Mathias Holle, Spas Wenkoff, Wolfgang Brendel and Adelle Nicholson. There was much applause for Pique Dame in Rudolf Noelte's production with Josef Protschka and Nadine Secunde. Eine Florentinische Tragodie/Gianni Schicchi round off the programme(20761).

Frankfurt, Opera. Aida, produced by Hans Neuenfels, is revived with Jurij Zinovenka, Linda Finnie, Awilda Verdejo and Seppo Ruohonen. Cosi fan tutte, conducted by Gary Bertini, is respectable with Margaret Marshall, Mitsuko Shirai, Diana Montaque, Olaf Baer and Tom Krause. John Cage's two operas 'Europeras 1 & 2' also produced by him, close the week. (25621).

Stuttgart, Opera. Gluck's rarely played Iphigenie auf Tauris is steered to triumph by Rachel Gettler in the title role. Awilda Verdejo leads a strong cast in Madame Butterfly.

ITALY

Rome, Teatro dell'Opera. First opera of the season is a little known work by Rimsky-Korsakov, La Sposa dello Zar. It is co-produced with the Washington Opera, conducted by Mstislav Rostropovich and directed by his wife, Galina Visnevskaia. The cast includes Dimitr Petkov and Sylvie Valaire. (46 16 55).

Turin, Teatro Regio. New production by Gianfranco de Bosio of Siegfried, sung by Gerd Brenneis, Graham Clark, Boris Bakov, Heinz Klaus Ecker and Ortrun Wendel, conducted by Zoltan Pesko and designed by Attila Kovacs (648 000).

Naples, Teatro san Carlo. First production of season (250th anniversary of theatre's founding) is Roberto Devereux, written by Donizetti for the San Carlo, and first given here on October 29 1837. Cast includes Katia Ricciarelli and Alberto Cupido. The conductor is Gustav Kuhn (417144).

Florence, Teatro Comunale. Zeffirelli production of La Boheme conducted by Carlos Kleiber, with Mirella Freni and Chris Merrit. (2779236).

NETHERLANDS

Amsterdam, Muziektheater. Donizetti's Don Pasquale performed by the Netherlands Opera directed by Renate Ackermann. Bruno Campanella conducting the Netherlands Philharmonic, with Henk Smit and Christine Barbaux (Wed). The National Ballet company with a new ballet by Toer van Schayk (Strauss/Van Dantzig) (Thur) (60 49 30).

The Hague, Danstheater. The Nederlands Dans Theater with the premiere of a new ballet by Ohad Naharin to music by Jon Hassell, L'Histoire du Soldat (Kylian/Stravinsky), and November Steps (Kylian/Takemitsu) (Thur)(60 49 30).

Scheveningen, Circus Theatre. Man's Awakening, a full length ballet by the Cosi Stefanescu company of Italy (Mon)(55 88 00).

Nijmegen, Schouwburg. The Introdans ballet company with a new version of Carl Orff's Carmina Burana (Thur)(22 11 00).

NEW YORK

Metropolitan Opera (Opera House) Marek Janowski conducts John Dexter's production of Die Entfuehrung aus dem Serail with Zdzislawa Donat, Erie Mills, Gosta Winbergh and Matti Salminen. It joins Fabrizio Melano's new production of Il Trovatore, conducted by Richard Bonynge, with Joan Sutherland, Fiorenza Cossotto and Luciano Pavarotti; Franco Zeffirelli's production of La Boheme is conducted by Julius Rudel while his production of Tosca, is conducted by Christian Badea. Lincoln Center. (362 6000).

WASHINGTON

Washington Opera (Opera House): Madama Butterfly conducted by Guido Ajmone Marsan with Yoko Watanabe in the title role joins Romeo et Juliette conducted by Cal Stewart Kellogg, featuring Angela Maria Blasi and Neil Wilson in the title roles. Kennedy Center (254 3770).

Saleroom/Antony Thorncroft

Parisian problems

The UK's reputation for producing master potters, even if some of them were nurtured abroad, was confirmed at yesterday's sale of contemporary ceramics at Christie's, which totalled £189,787 with only 4 per cent unsold. The key buyer was Anita Besson, who used to work for Fischer Fine Art, prominent in this field, but who has now set up on her own. She paid the top price of £19,800, comfortably above estimate, for a monumental stoneware vase, 40cm high, by Hans Coper, and was a busy buyer throughout the auction. Another Coper vase, 65.2cm high, and made around 1958, sold well under target at £13,200, but a third was on schedule at £12,100.

Sotheby's was selling that very tricky field, Indian, Himalayan and south east Asian art and the morning session brought in £204,364 but with over 30 per cent unsold. Top price was the £11,000 paid for an eastern Indian bronze figure of the Bodhisattva Padmapani made around the 12th century andsitting on a cushion. It was on target. A western Tibetan bronze figure of the Bodhisattva Manjusri, located to Ladakh around 1300 AD, sold for £9,350.

The problems that Paris has in establishing itself as a rival to London and New York as a centre for the international art market were well illustrated at the auction of Impressionist and modern works held there on Friday night.

It was an important collection, acquired by the late Georges Renand, whose money came from the famous Samaritaine store, and included works by Van Gogh, Modigliani, Rodin, and more. The two Van Goghs were suddenly withdrawn before the sale when the French Government claimed them: under French law important national treasures must stay in the country. This peremptory step did clear the other 40 odd works on offer through customs but meant that the auction was a little like Hamlet without the Prince.

The top price was the £4m. paid by an American telephone bidder for "Nue assise sur un divan", a sensuous nude by Modigliani. It was an auction record for this artist. Another work by Modigliani, "Femme a la cravate noir" went for £3.3m. to a Japanese bidder. He bought actively and the Japanese presence ensured that the auction made a fair total of £17.9m.

The auction was held at the Theatre des Champs Elysees. Another great obstacle that Paris faces is the organisation of the art trade. It is dominated by the ninety odd "Commissaires Priseurs," officials of varying expertise, who mainly operate from the Hotel Drouot, which is more like Petticoat Lane than Sotheby's. A new regime at the Drouot aims to hold the occasional grand auctions in the Champs Elysees to attract foreign dealers to Paris. The innovation certainly attracted the crowds, and some bureaucratic pushing and shoving, and despite the loss of the Van Goghs can be counted as a success.

FINANCIAL TIMES

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Tuesday November 24 1987

The path to CAP reform

A CAMEL is a horse designed by a committee. The Common Agricultural Policy is the EC's camel, though unlike the living variety it is not merely unattractive to look at but requires constant feeding as well. It is because of the CAP's insatiable appetite that its owners have finally recognised that it must be redesigned.

In her interview with the Financial Times, Mrs Thatcher, the British Prime Minister, has made an interesting contribution to the process of redesign. How well would her ideas deal with the problems of the CAP?

Large part

Even now the bulk - at least two thirds - of the cost of EC agricultural policy is carried by consumers, but the part played by the EC budget itself is very large. In 1986 the cost of farm support policy was Ecu 22bn ($15.2bn), of which Ecu 7.4bn was for export subsidies (known as "restitutions") and Ecu 4.4bn for *storage of surplus commodities.*

For 1987 the cost is expected to be Ecu 27bn though with the fall in the dollar the cost will probably rise further. Farm spending absorbs two thirds of the total EC budget, a proportion it has consumed for years. These costs are, however, decreasingly acceptable. Furthermore, the cheapest means of disposal, subsidised exports, creates growing *international bitterness.*

Any reforms need to address an immediate and a long-term problem. The immediate challenge is budgetary, to which the overhang of surplus commodities contributes. The long-term problem is the consistent tendency of the CAP to run out of control.

Mrs Thatcher suggests that one element in dealing with the immediate problem could be for each country to take responsibility for the stocks it has on hand. This would go along with agreement to the introduction of stabilisers, as proposed by the Commission, without which, Mrs Thatcher has stressed, there could be no solution of the budgetary problem. Thus, instead of expecting the EC to refund the money already disbursed by national treasuries, they would themselves write off those amounts.

The proposal is either incomplete or unsatisfactory in important respects.

The problem is not just how to finance the stocks but also what to do with them. If individual member countries are to take responsibility for disposal it is important to ensure that they do not disrupt world markets, especially in the light of the proposals advanced by the EC in the GATT, which are aimed at avoiding such disruption. Stocks can be destroyed. It would be better, wherever possible, to dispose of them through charitable distribution either within the EC or as carefully-judged food aid.

"Renationalisation" is, therefore, not sufficient for a solution of the problem of outstanding stocks. It is also not essential, since the budgetary plight of the EC could be remedied by special contributions to the EC budget for this purpose. It is mainly a political question whether it would be easier to persuade members to take financial responsibility for the stocks individually or collectively.

So far as the longer term is concerned the need for stabilisers is unquestionable. Here it must be recognised that there are alternative views on how to curb production, with the Germans, *in particular, determined* to avoid price cuts. Their preferred solution is to pay farmers not to produce, through what is called a "set-aside" programme. This idea has attraction for UK policy-makers as well and could limit the budgetary cost in the longer term.

Milk cow

Nevertheless, the Prime Minister is right to emphasise the need to cut prices. Consumers have been the milk cow of the CAP for too long. Furthermore, there is something distasteful about paying a not particularly poor section of the EC's population for producing *nothing,* merely as an offset to excessive incentives to produce in the first place.

Where the Prime Minister is on strongest ground is on the need to combine a solution of the *immediate* budgetary problem with long-term curbs, without which production is bound to run out of control yet again. The CAP is never going to be a horse but it should be possible to make it a less expensive camel.

US should pay its UN dues

THIS YEAR as last, employees of the United Nations in New York have been warned that, unless the United States pays its dues, there will be no money to cover their December salary cheques.

Last year they won a last-minute reprieve when the US came through with $100m in late November. This year there is very little hope of that happening. The US is now $352.8m in arrears. The Administration has requested appropriations for virtually the whole of this amount but the Senate has reduced this to $120m and the House of Representatives to $60m. No date has yet been set for a Congressional conference to reconcile the two amounts.

The sums in question are tiny fractions of those that Congress and the Administration have been haggling over in their attempts to reduce the overall US budget deficit. The UN, though *widely regarded - especially* in the US - as an example of conspicuous waste, is in fact very much a shoestring operation by the standards of national governments, and unlike them it has no power to borrow. A default by the US, which is supposed to contribute one quarter of its total revenue, is therefore a very serious matter.

Relative security

If bankruptcy is in fact averted this time, and employees not sent home on unpaid Christmas leave, it will only be because some other member countries, notably Canada, are *said to be willing to pay their* 1988 assessments in advance. However that, obviously, would in itself only postpone the crunch for a few months and it would hardly reflect well on the US, especially at a time when the Soviet Union - for long the outstanding sinner - has suddenly repented and brought its contributions up to date.

All the above figures refer only to the regular UN budget, and not to peacekeeping operations but under that heading, too, the US is now some $61m in arrears - most of it relating to UNIFIL, the UN force in southern Lebanon.

Obviously UNIFIL has not solved all the problems in that area but since the Israeli withdrawal in 1985 it has provided relative security for the villagers in the area it controls, and everyone - with the possible exception of the pro-Iranian Hizballah, but certainly including the US government - now agrees that its removal would make the situation worse rather than better and could even trigger a new Arab-Israeli war.

Yet Congress remains so unenthusiastic about UNIFIL that the Administration did not think it worth requesting more than 35% of the US assessment for its upkeep this year - and even that was turned down by the Senate Appropriations Committee. (The chairman of the committee, Senator Ernest Hollings, has now said he will agree to "recede" to the requested figure, but even this may have to be balanced by commensurate savings elsewhere in the State Department budget.

Higher budget

Shortly before his death the late Mr Olof Palme suggested that the US contribution to the UN should be reduced and that of other states increased to reflect a new distribution of power and wealth in the world. The Americans rejected this but if they really are unwilling to pay their due share, they would surely do better to accept a diminished role in the organisation than to *maintain it* constantly on the brink of bankruptcy.

Already the failure of the US to pay its UN dues is being treated by Third World delegates in New York as a breach of the agreement reached last year under which the UN budget was henceforth to be approved by consensus in the 21-nation Committee on Programming and Co-ordination - that is, in practice *subject to* a *US veto - in return* for a US return to full funding. As a result the committee adopted, by majority vote, a higher budget than the US wanted, and this will now be voted on by the General Assembly.

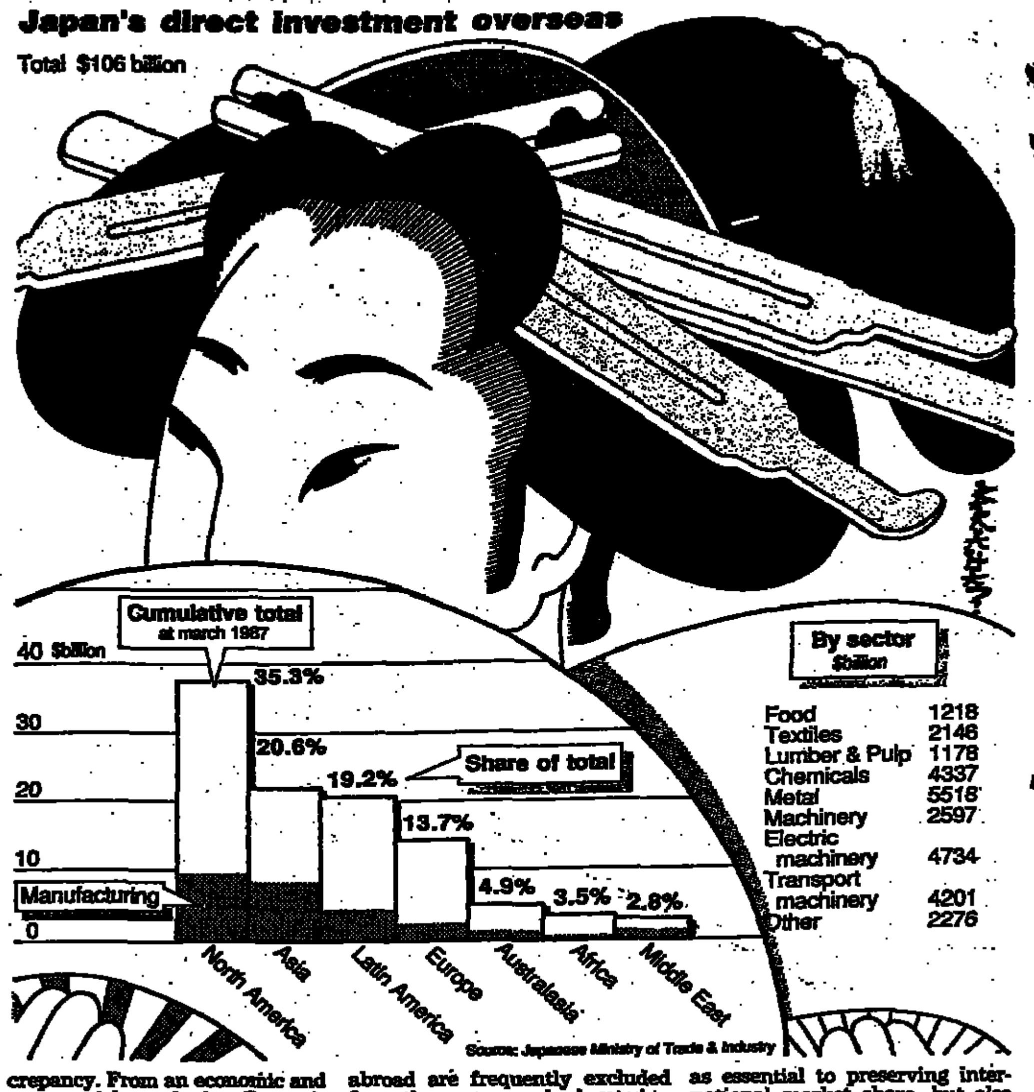
The UN is in danger of becoming once again an arena of sterile confrontation between north and south, just when a more positive Soviet attitude seems to offer it a new potential, and when the Reagan Administration itself has come to concede its usefulness - notably in dealing with the Iran-Iraq war.

Clearly the US, in order to reduce its budget deficit, is going to have to scale down some of its foreign policy commitments but that very fact will increase the need for working to achieve foreign policy goals through multilateral organisations - among which the UN, because it embraces the whole world, is still potentially the most useful.

JAPANESE MULTINATIONALS

The prizes and pitfalls of going offshore

By Guy de Jonquieres



JAPAN'S relentless advance on world markets is entering a new phase. The country's manufacturing industry is in the throes of a structural upheaval which promises, in the next few years, to have as far-reaching an impact internationally, and on Japan's own economy, as its rise as an exporting power over the past two decades.

With remarkable speed, Japanese industry is shifting its international thrust away from reliance on the export of mass-produced goods and is becoming increasingly an exporter of capital, of production capacity and - some Japanese fear - of jobs as well.

In short, Japanese companies are embarking on a course set by many of their American and Western European counterparts *earlier this century. They are on* the way to becoming multinational organisations, with assets as well as markets around the globe.

The trend should help in time to relieve trade friction between Japan and other countries by moderating the growth of exports. But it is already starting to generate other tensions. In their struggle to come to terms with it, governments and industry *on both sides of the Atlantic* are exhibiting deeply ambivalent reactions.

In the US, Japanese direct investment is widely welcomed at the local level as a creator of employment - 28 American states have set up offices in Tokyo to woo prospective investors. But in Congress, anxiety about a Japanese economic "takeover" has prompted calls for tighter federal controls over foreign investment.

In the motor industry, Ford has expressed alarm at the wave of US plants set up by Japanese car makers and has called for tighter restraints on their imports. Yet Ford is also buying cars from the Michigan plant of Mazda, in which it has a 23.7 per cent stake, and imports cars made by Mazda's affiliate in South Korea.

Under strong pressure from indigenous industries, the European Community recently approved a controversial anti-dumping measure intended to crack down on Japanese "screwdriver" plants, which merely assemble imported components. Ironically, many of these plants were first lured to *Europe* with offers of subsidies from national and regional authorities, which compete fiercely to attract inward investment.

The drive to multinationalise is also creating strains behind the normally monolithic facade of corporate Japan. In many cases top management is pushing (often for political reasons) for increased overseas investment but is meeting strong resistance and inertia from below. Even where there is unity of purpose, Japanese companies face a struggle to adapt their distinctive management methods and organisation.

The shift offshore is most pronounced in the electronics and motor vehicle sectors. "Every day, the move by electronics companies to produce overseas is accelerating," according to Carole Ryavec, an analyst at the Tokyo office of Salomon Brothers, the US investment bank. "More and more companies have started to telescope five-year plans into three years."

Sony, for instance plans to raise the proportion of its output produced abroad to 35-40 per cent by *1990,* from around 25 per cent this year. NEC, the world's largest chipmaker and a major force in computers and telecommunications, expects two thirds of its US sales to be locally produced by 1990, compared with one third today.

Nissan, Japan's second largest vehicle maker, aims over the same period to triple overseas production of cars to 650,000, or more than a third of total sales. *Komatsu, a leading maker of* earth-moving equipment, says it wants to increase overseas production from 7.5 per cent of its total output this year to 35 per cent by 1992, or possibly earlier.

Many companies fear it may become harder to avoid job losses in Japan

The trend is not, however, limited to battle-hardened exporters. More than 130 vehicle parts suppliers, few of which have any international experience, are setting up plants in the US following decisions by most of Japan's leading car makers to produce vehicles there.

These examples speak more eloquently of the pace and scale of the change than do the official statistics. These show that direct foreign investment in the year to March increased by 83 per cent to $22.3bn (£12.5bn), raising *the cumulative total to* $106bn. Only $3.8bn of last year's outflow, and $28.2bn of the cumulative total, are attributed to manufacturing industry.

However, these figures exclude locally financed investments. By classifying investments by type of industry, rather than by purpose, they may also fail to cover some plants financed by Japanese banks and trading houses.

Some economists have forecast that overseas production, a mere 4 per cent of Japanese industry's total output in 1984, will soon be as much as 20 per cent. The Government's Economic Planning Agency thinks this exaggerated. It believes the proportion overall will be about 8 per cent in 1993, but that it may reach 16 per cent in major export sectors such as cars, mechanical engineering and electronics.

Though most Japanese manufacturers still prefer to invest in green-field plants abroad, the trend towards mergers and takeovers overseas is accelerating. According to Daiwa Securities, the number of such deals soared from 31 in 1985 to 78 last year *and 94 in the first half* of this year. Among the best-known examples are Sumitomo's acquisition of Dunlop's worldwide tyre businesses and Sony's $2bn purchase this month of CBS Records.

The high yen has obviously played a role in spurring Japanese industry's rush offshore. However, its influence has probably been paramount only in encouraging direct investment in *the newly industrialised countries* (Nics) of east Asia. Their relatively low wages and favourable exchange rates have attracted a growing share of Japanese companies' output of technically simple, labour-intensive products.

The single biggest impetus to Japanese manufacturing investment in the developed world has been trade protection, or the threat of it. In the US, curbs on car imports unleashed a stampede to set up assembly plants there before the yen started to rise sharply two years ago. Similarly, in Europe, successive waves of investment to make products such as video cassette recorders, computer printers, copiers and typewriters have all been preceded by quantitive restrictions on exports, higher tariffs or EC dumping penalties.

Of the two regions, North America has so far attracted much the larger share of local Japanese production, relatively far greater than its admittedly huge importance as an export market. According to the Ministry of Finance, *direct investments by Japanese manufacturing* industry in the US and Canada totalled almost $10bn as of last March, four times the amount in all Europe. But Japan's exports of $86bn to North America last year were just over double the $37bn to western Europe.

Many factors explain this discrepancy. From an economic and commercial standpoint, Europe's fragmented national markets, differing standards and diverse consumer tastes run counter to the large economies of scale available in the US.

Politically, Washington is perceived to wield a much bigger stick than Brussels in trade disputes. Furthermore, many Japanese companies feel that to do business in Europe, it is as important to appease governments as to please customers. Sony, for instance, says that for political reasons it has to operate three television factories in *different European countries* when it would be much more efficient to have only one.

However, the tide may be turning. Contrary to earlier warnings from Tokyo, there are signs that the EC's hard line on Japanese components dumping and "screwdriver" plants will stimulate sharply increased investment in local plants, particularly by electronics companies. Some companies are also increasingly uneasy about their huge dependence on the US market and want to spread the risk.

Can Japanese companies compete as effectively as multinational enterprises as they have as exporters and what will be the wider economic consequences? They face at least three, closely related challenges:

- Management methods: Many Japanese manufacturers have achieved impressive results at overseas plants by imposing their own production systems and disciplines on foreign labour forces. But coping with complex decisions which involve several layers of management in different countries is a taller order.

One problem is learning to work and communicate at close quarters with foreigners unfamiliar with Japan's homogeneous management culture. Another is the decentralisation of management authority. Though decision-making involves a wide spread of managers at home, those working abroad are frequently excluded from the process and relegated to second-class status in the corporate hierarchy.

"Our companies' ability to operate *in a mixed-nationality* environment is a very tough challenge," says Mr Kenichi Ohmae, head of the Japanese office of McKinsey, the management consultants. "US and European companies are 10 to 15 years ahead of us in understanding how to manage multinational businesses."

- Local procurement: The difficulty of getting high-quality parts at low cost from foreign *suppliers is a common complaint,* though experience shows it can almost always be overcome. However, it takes time, money and a big commitment of managerial resources. It has taken Honda more than three years to get US steel companies to meet its standards.
- Hollowing out: Some economists estimate that every dollar of overseas production cuts Japan's exports by 30 cents. So far, many Japanese companies have been able to offset the impact of lower exports by redirecting output to meet buoyant domestic demand and by diversifying into new areas of business. Furthermore, the motor industry's exports of knock-down kits for assembly at overseas plants have grown strongly. As a consequence, Japan's unemployment rate has fallen since early summer.

However, many larger companies say they are worried that, in the longer term, it may be harder to avoid plant closures and job losses in Japan. According to Mr Walter Schill of McKinsey, some Japanese vehicle parts suppliers who followed their *major* customers to the US did so because they feared they would lose up to half their sales if they did not seek new markets outside Japan.

Overseas expansion is thus an issue about which much of Japanese industry feels deeply divided. Many companies view it as essential to preserving international market share, but also believe it would be far simpler and more efficient - despite the high yen - to keep all their most *critical manufacturing* operations at home.

Above all, most are determined not to transfer key research and development functions offshore. Professor John Stopford of the *London Business School,* an expert on multinational companies says: "Japanese companies want to preserve as much added-value as possible at home. In every overseas alliance or joint venture with a foreign partner that I've looked at, the 'brains' stay in Japan."

Nevertheless, the political pressure on Japanese companies to deepen their overseas investments well beyond "screwdriver" plants seems unlikely to abate.

Some of Japan's most internationally minded companies, such as Honda and Sony, have already started to decentralise. Honda is designing one of its new models partly in the US and is rapidly expanding its investments there. Its ultimate object is to establish its American subsidiary as a self-sufficient operation in an interlocking global network.

Yet if the company's vision is realised and *emulated by other* Japanese car makers, it could swiftly turn into a nightmare for competitors and policy makers elsewhere. Honda's announcement that it plans to start exporting cars from the US has aroused anxiety in Europe that American-made Japanese vehicles might start flooding across the Atlantic. It would be difficult for Europe to restrict such imports without risking a trade row which could *damage its own* exports to the US.

As Japanese manufacturing industry steadily extends its global reach, further such dilemmas are likely. Inexorable as the drive to multinationalise may be, the ride ahead looks like a jolting one, both for Japan and for the rest of the world.

Men and Matters

Hancock takes Bedford wheel

Almost exactly three years after leaving the chairmanship of Leyland Vehicles, the former truck and bus subsidiary of what was then BL, Ron Hancock is back in the trucks business.

Hancock, a burly 53-year-old with a renowned bluntness of manner, has been given the task - which has *largely* defeated General Motors - of creating a profitable and viable future for what, until 8am yesterday, was GM's Bedford trucks operation at Dunstable.

Bedford's new owner is David J.B. Brown, who owns a group of vehicle-making companies based at Peterlee, County Durham. He is no relation to the man who once controlled luxury car maker, Aston Martin.

It is to Hancock that Brown has entrusted the managing directorship of AWD, the newly-formed company which intends not only to carry on with Bedford's surviving military and export trucks business, but to take the company back into the civilian trucks market which Bedford's GM bosses abandoned only at the end of last year.

Despite critics who wonder whether, at a time of huge overcapacity in the truck industry, such a move is a smart one, Hancock insists that it can be done.

Certainly, after three years away from the business, he is keen to try.

His departure from Leyland in December, 1984, was not a cheerful one. At the time, he was defending a charge of insider trading. He was cleared three months later with the judge declaring that he hoped Hancock - "of whom it has been said that you are a man of impeccable character" - would go forth with his reputation intact.

Shortly afterwards, Hancock joined an old BL colleague, Sir Michael Edwardes, at Chloride. Until April of this year, he was managing director of Chloride Automotive. He left in yet another Chloride structural shuffle, and as part of subsequent consultancy work was asked to appraise Bedford's prospects by Brown. About a month ago that was translated into an offer to Hancock to run it.

How does it feel to be back in the business which has occupied most of *his working life?* "I've missed it like hell," he says. "It gets into your blood - it's a great deal of fun."

Walker's path

Timothy Walker, the new head of the Government-backed Alvey programme for research in advanced information technology, might have wished for a better moment to move into his *new job.*

The Government's attitude to Alvey's future is still shrouded in uncertainty, while yesterday came news of a withering attack from the London Business School on Alvey's first phase as a waste of time and money.

Some industrialists, moreover, were hoping that a businessman would take the helm at Alvey. They may fear that Walker's background - he is, at present, private secretary to Lord Young, the Trade and Industry Secretary - will make him too much a creature of Whitehall.

But Walker, aged 42, is not from the usual arts-oriented mould associated with the high-flying mandarin. Not only does he hold a doctorate in theoretical chemistry, but he started life lecturing on the subject before moving into the more down-to-earth groves of Whitehall.

Walker is eager to dispel any suspicion that he has been put into the job to wind down Alvey. "The Alvey directorate has acted as a very successful focus for information technology research in industry and the universities and I don't want to do anything to change that," he says.

Brian Oakley, Alvey's widely respected first head, is happy to endorse Walker, whom he describes as "Permanent Secretary material." If the job was destined for a civil servant, it could not have gone to a better man, Oakley says.

Poor designs

As the new chief of Allied International Designers, one of the UK's biggest design groups, Michael Wolff now has a new platform from which to launch his criticisms of the public sector's lack of design sense.

For years, the man who has helped shape the images of BOC, Bovis, and 3i, among others, has been uncompromising in his condemnation of the image of "the miserable bunch of institutions" which make up Britain's police, railways, hospitals, local authorities, and government departments.

A former president of the *Chartered Society of Designers,* and co-founder of corporate identity specialists, Wolff Olins, where he beat the same drum, Wolff is scathing about the "bureaucratic and unfriendly" image of public sector organisations.

Their lack of design sense in presenting themselves to the public diminishes their efficiency, he maintains.

"We have all these marvellous organisations, the police force, fire brigades, health authorities, and yet if you looked at the way they present themselves to their users - their premises, their literature - you'd never know it."

One organisation, *at least,* now appears to have got his message. The Metropolitan Police Force is currently undertaking a design review. The experts it has called in? Wolff Olins, no less.

Secret service

Personnel managers should take to heart the lessons of the Spycatcher affair and become *more concerned about the information* staff may take with them when they leave employment.

That is the view of McKenna, a firm of London solicitors which specialises in legal issues concerned with patents and general trade secrets.

More companies, it appears, are becoming worried that they might be sued by the former employers of staff on the grounds that the man or woman concerned is bringing to the new job confidential information gleaned from the last one.

To reduce the danger of such court actions, McKenna advises that companies should send their new employees, together with the general literature about staff canteens and pension schemes, a carefully worded letter on secrets.

"We recognise that you may have in your possession secret information, the property of your previous employer," the letter states.

"We wish to make quite clear that it is not our wish or intention to acquire such information improperly, and that you should not disclose it to us. We are only employing you in order to benefit from the skill or knowledge which we believe you to possess."

The letter, which the company advises should be sent, ends by suggesting that if the employee is worried about any aspects of the matter "we will arrange for you to receive independent legal advice" - in which case, no doubt, McKenna would step in to the breach.

For the birds

The seagull which New York Yankees' outfielder, Dave Winfield, killed in Toronto when he hit it with a ball during the warm-up for a 1983 baseball game, has returned to haunt him.

A Toronto small claims court has accepted a suit filed on behalf of Eye Ammah Ceegull, seeking C$91 damages for injuries said to have prevented Ceegull from continuing flying lessons.

Bob Whyte, the Toronto man who is suing on Ceegull's behalf, says that, if he wins, the money will go to the Audubon Society or Toronto Zoo. "Nobody else is protecting the rights of gulls."

Observer

Japanese spoken at high cost

From Professor Ronald Dorr.

Sir, Japan, says Mrs Thatcher at the Lord Mayor's banquet, "could and should take further action to open its markets". Perhaps British firms should also take further action to *penetrate* those markets.

A few firms are taking the Japanese market seriously enough to apply the same standards as they would in Europe - expecting their long-stay sales representatives there to be pretty good at the local language. Others are taking seriously the implications of Japan's growing technological prowess and making sure that some of their technologists speak and read Japanese and can keep abreast of what is happening in the Japanese scientific world. (An article in last week's *Nature* suggests that the Japanese are pulling ahead of us even in basic science now).

But it is costly - at least a man-year's salary is needed to produce a competent Japanese speaker. Many firms are deterred by fear of poaching - especially manufacturing firms fearing loss to the financial sector, which has been snapping up Japanese speakers at inflated prices. Some sort of collective effort to provide a pool of such talent for industry to draw on would seem to be the answer. This Centre is acting as a clearing house for ideas as to how this might be managed, and would be glad to hear from interested firms.

Ronald Dorr,
Centre for Japanese and Comparative Industrial Research,
Imperial College of Science and Technology,
Exhibition Road, SW7

You have to talk to sell

From Mr Stephen Bungay.

Sir, Sometimes I believe what I read in the press. I quite often believe what I read in the FT. So I was very worried to read that Lord Young has told the British Institute of Management that knowledge of foreign languages is less important than having a *single European market.*

It is a silly thing to tell the BIM in the first place because it is just what they would like to hear. One statement like this is likely to wipe out all the effort of those (such as the British Overseas Trade Board and the Modern Languages Association) who have been trying to impress upon British businessmen the importance of language skills.

The British have traditionally been unique in the world in believing that it is not necessary to be able to talk to customers in order to sell to them. The excuse (repeated by Lord Young) is usually that they all speak English anyway. This is baloney.

How often has Lord Young tried contacting the purchasing department of a German company? Does he know how many switchboard operators in Frankfurt are able and willing to take calls in English? Does he believe that buyers in Essen are dying to evaluate a quote written in English despite the fact that they have five others in German? Has he talked to the dealers in Cologne who have abandoned their UK suppliers because the telexes they send to them in German are never answered?

Lord Young's remarks do not only show inexperience, they are illogical. The creation of common European standards will make it easier for all European companies to sell into every European country. The only advantage it confers will be on those currently best able to do so. Those companies best able to do so insist that their salesmen (not their buyers) communicate *with their customers* in their customers' language. It is therefore high time we had more businessmen fluent in the languages of the major European markets, in particular in German and Spanish.

But then, this is all based on a short report in the press. I await in hope an assurance that your correspondent was mistaken.

Stephen Bungay,
46 Queens's Gate Gardens, SW7

This little freephone goes to market

From the Director of Customer Marketing, British Telecom

Sir, Dr S.D. Dover (Letters, November 17) asks why British Telecom is not using its quick and convenient 0800 direct-dial free telephone service for the public to respond to the company's current advertising campaign.

Well, we are. And we look forward to Dr Dover's call, free of charge, on 0800 800 820, when he can ask for information on a wide range of British Telecom matters.

Nick Kane,
British Telecom,
2-12 Gresham Street, EC2

Letters to the Editor

Revived from rack and ruin

From Lord Vinson, Chairman of the Development Commission for Rural England.

Sir, Those who will have read John Cherrington's article (November 17) may be interested to know that in encouraging the re-use of redundant farm buildings, the Government is in fact working with the market trend, as the demand for such *premises currently greatly out*strips supply in virtually all parts of the country.

One might wonder why small businessmen wish to operate in the countryside where they are inevitably some distance from their urban customers. The answer is the quality of life.

Villages, as John Cherrington rightly points out, were alive with small-scale activity 100 years ago - the butcher, the baker, the candlestick maker - and modern technology has enabled this to happen again in a manner that is wholly appropriate to the size and scale of the countryside and in the sort of redundant premises that are better put to good use than going to ruin.

Such diversification is an *increasingly valuable source of* income to farmers and, surprisingly, meets with little planning opposition, providing that the safety valve of larger premises in the local market town remains open if and when the enterprise acorn starts growing into an oak tree.

Vinson,
11 Cowley Street, SW1

Organic farming and the countryside

From Mr Bill Starling.

Sir, With reference to "Harvest of Home Truths", the interview with the Minister for Agriculture (November 12): John MacGregor may well be a successful politician, negotiator and administrator, but where is the breadth of vision we need in our leaders? How can we hope to overcome our many problems if we look at them one at a time?

Concern for our environment has never been higher. "Green" organisations of all kinds have a huge following: people want to watch birds, preserve hedgehogs, catch fish, count butterflies, or simply walk through a landscape of wild flowers, trees and hedges, with an active wildlife population. All living creatures depend on, and are part of, a food chain.

Modern agriculture has broken links. No one questions that in our drive for greater food production we have gone over the top. However, simply to stop using 10 or 20 per cent of good farm land, whether you plant trees on it, or simply "set aside" and fallow it, is a negative approach, especially when the remaining 80 to 90 per cent of land continues in intensive farming. Islands of conservation in a sterile sea of chemical agriculture are a nonsense.

Real, constructive care for the countryside is part of organic farming. Unwanted food surpluses are reduced, contamination of water, air and plants with agri-chemicals is prevented, and we get better, healthier food.

Mr MacGregor wants "efficient farming". What is efficient? The number of hedgeless acres one man and a giant tractor can cover in a day - or the number of families that can earn a living off those acres? The number of *tonnes of wheat you can produce* from a tonne of oil-derived chemicals - or the amount you can grow by recycling resources from within the farm?

Huge sums are spent propping up today's agriculture. Why not use part of that money to research organic methods and support organic farmers, particularly during the two-year conversion *period necessary before* a farmer can start growing organic crops? The broad view says that £x spent promoting organic methods saves £y spent not only in coping with chemically produced surpluses, but also in dealing with the related problems of pollution, health, and rural *depopulation that follow* intensive chemical agriculture.

Even the present Government involvement, through *Food From Britain*, in UKROFS (the UK Register of Organic Food Standards), appears half-hearted. It seems to regard the word "organic" as a useful marketing tool for "traditional" agriculture, and has not yet grasped that organic farming, as defined by the established Soil Association Standards, is not just a chemical-free system, but embraces a moral and ethical approach to husbandry and the care of our environment.

*My company, one of the lar*gest independent grain merchants in the country, also trades in organic grain. We are well aware of the shortage of organic product, but would not want to see any official lowering of standards. Rather the use of the highest standards, as guaranteed by the Soil Associations Symbol scheme, should be encouraged. Agriculture, of whatever discipline, has a profound effect on the environment and the quality of life. Let us take a broad and positive view to improve that quality.

Bill Starling,
W.M. Gleadell & Sons Ltd,
Lindsey House, Hemswell Cliff,
Gainsborough, Lincs

Open outcry still works well

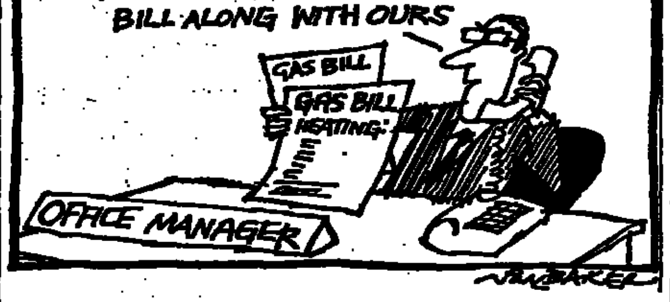
From the President of the Coffee, Sugar & Cocoa Exchange, New York

Sir, Deborah Hargreaves' piece of November 19, on the Coffee, Sugar & Cocoa Exchange's World White Sugar futures contract, contains an important inaccuracy. The Exchange is not working on any automated futures trading project as stated in the article.

The Coffee, Sugar & Cocoa Exchange has been a long and consistent supporter of the open-outcry system, which proves itself every day as an efficient, effective methodology for the interaction of buyers and sellers of our futures and options contracts from around the world. In fact, as recently as October 20th 1987 we experienced a record volume day with no problems whatsoever.

Like any reasonable business organisation, we will review potential improvements to our operating systems on behalf of the membership. But the fact is that there is no "automation project" being worked on by the Coffee, Sugar & Cocoa Exchange.

Bennett J. Corn,
Coffee, Sugar & Cocoa Exchange, Inc,
4 World Trade Centre,
New York City



Glasnost can come by the therm

From the Head of Public Relations, British Gas.

Sir, Dr Heryet can rest assured (Letters, November 11) that a large measure of *glasnost* already exists among customers about the relative prices of gas and electricity.

Independent opinion research shows that the great majority of consumers know that gas is cheaper than electricity. The research is confirmed by the continuing preference for gas rather than electric heating, which customers demonstrate in the market place.

Comparative costs are in fact made widely available to consumers. A new edition of the *British Gas Guide to Running Costs*, for example, has just been published. It presents, clearly and fairly. the comparisons Dr Heryet suggests.

Fred Plowman,
British Gas,
Rivermill House,
152 Grosvenor Road, SW1.

US budget deficit affected the crash

From Professor G.W. Maynard

Sir, It is disappointing to see that Samuel Brittan (November 12) goes along with the notion that the US budget deficit had little or nothing to do with the recent stock market crash. Before allowing ourselves to be persuaded, perhaps we should consider the following question.

A man has been sitting in subzero temerature for some time and gradually freezing. Just before he dies the temperature rises, although it still remains in the sub-zero region. Is it sensible to conclude that because it had become warmer, the cold had nothing to do with the man dying?

Analogously, is it sensible to conclude that because the US government may have to borrow *less in 1987 than it did in 1986*, that its budget deficit has nothing to do with recent financial market behaviour?

As the proximate cause of the stock market crash, Mr Brittan himself points to the wide reverse yield gap between equities and bonds which had risen prior to the crash. But, of course, the 3 percentage point rise in US interest rates through the earlier part of the year, which had contributed to this situation, was a direct reflection of the increasing difficulty that the US was having in financing its balance of payments deficit (the counterpart of the budget deficit and the deficiency of private sector saving) through sales of debt to private sector investors overseas, at the interest rate - and/or the exchange rate for the dollar - which no doubt the US government and people would prefer.

Because of this the Louvre currency agreement had to be put in place which, in providing support for the dollar, also obligated central banks to provide the finance which the US government needed.

Without parallel action on the part of the US government to take serious steps to reduce its reliance on overseas saving, the Louvre agreement could well be seen by central banks as an arrangement by which the US government exported overseas the long term inflationary consequences of its budget deficit, an outcome which at least one central bank was willing to support only to a limited extent. Once this reluctance became clear, as it did in September, a further rise in the US interest rates was inevitable, with obvious consequences for the stock market.

It is further disappointing to see Mr Brittan also supporting the notion that because the US's consolidated government deficit represents no larger a proportion of GDP than do the deficits in many other countries, no particular responsibility attaches to the US. This seems to ignore the fact, for example, that the US GDP is some six times that of Italy, so that in terms of the demand for world saving, a budget of 1 per cent of GDP in the US is equivalent to a 6 per cent deficit in Italy.

Of course, it almost defies belief that stock markets throughout the world disregarded for so long the problem facing the US and world economies posed by the eventual need for the US to balance its budget and to turn round its account with the rest of the world; but the shortsightedness of investors should not detract attention from the responsibility of the US government.

Unfortunately the problem is now serious, for any action to reduce the budget deficit (necessary if the US is to finance its trade deficit at an acceptable level of the interest rate or the exchange) runs the risk of pushing an already weak economy into recession.

G.W. Maynard,
Department of Economics,
University of Reading,
Reading, Berkshire

Overcrowded roads defeat schedules

From the Managing Editor of Transport Know-How

Sir, David Starkie's piece on transport policy in this country (November 18) failed to point out perhaps the most vital aspect of overcrowded roads, which is the effect on freight traffic.

Modern industry and commerce depend heavily on timed deliveries, be it the newsprint on which the FT is produced, or the fresh produce the housewife expects to find on her local supermarket shelf. Congestion-induced failure to meet schedules in this context adversely affects vast numbers of people and businesses, whether or not they are direct users of our roads. The person in his car, no matter how important his task, is an inefficient user of road capacity.

Patrick M. Kennett,
Old Forge Lodge,
Ogston,
Higham, Derbyshire

FOREIGN AFFAIRS

A discordant version of glasnost

Jurek Martin previews Sunday's referendum in Poland on political and economic reform

TWO SATURDAYS ago, on a cold night in Warsaw, Itzhak Perlman played the violin, twice. The first performance, with the Israeli Philharmonic under Zuben Mehta's direction, was to an overflow audience in a large concert hall, a glittering evening notable for the presence of a fair, if discreet, cross section of the Polish establishment, including the wife of General Wojciech Jaruzelski, the Communist Party leader. The occasion was so grand as to be considered an important step in the process of establishing full diplomatic relations between Poland and Israel, two countries with much shared heritage and many bitter memories.

Two hours later Perlman played again, Bach this time and solo, but in very different surroundings. His was an unforgettable climax to an informal musicale put on by the orchestra at short notice. The venue was a modest cinema, believed to be on the very site in the ghetto where Jewish musicians had performed in the Second World War under the threat of imminent death. The private audience was much smaller, perhaps a couple of hundred, mostly from the orchestra party itself. No ministers or party officials were visible.

In its way, that evening demonstrated the dichotomies in Poland between the public and the private. This does not come as a surprise, for Poland's history contains so much emotion and so many contradictions that casual judgments or predictions should not be attempted. Moreover, even if things were as they seemed, Poles, to whom talk is not only a treasured freedom but an art form, would probably successfully convince otherwise.

On Sunday, Poland will conduct a national referendum which, on the face of it, looks pretty straightforward. The country will be asked to endorse two broad proposals advanced by the authorities, the first covering economic reforms, the second, the sweetener, hinting at some 'evolution towards greater political freedoms under the rubric of "socialist pluralism."

At the public level, the regime seems to be going about its task with commendable honesty. It has already warned Poles that prices will have to rise steeply, by an average of 40 per cent in 1988, but with some sensitive fuel and food prices doubling. It has admitted that inflation, already running at 25 per cent, will go up by twice as much next year. It claims that real living standards will not fall, because salaries and other allowances will be raised in offset, but it concedes, as well it might given the public reaction to previous *price increases, that there could* be trouble in the streets as a result. If Poles reject the proposed reforms, then they will not be abandoned, but implemented at a much slower pace.

There is even an external public relations aspect to the exercise. Journalists from around the world were recently provided with a remarkably frank 48 hours of briefings, including a rather smooth performance from General Jaruzelski. It was difficult not to be impressed with the sincerity and diagnostic abilities of the principal economic reformers, especially the deputy Prime Minister, Professor Zdzislaw Sadowski, and the Finance Minister, Mr Bazyli Samojlik.

Even some warts were allowed to show, most patently in the lengthy diatribe against Mr Lech Walesa and Solidarity delivered by Mr Jan Glowczyk, keeper of the ideological faith of the Polish United Workers Party. General Jaruzelski chipped in with a warning that "socialist pluralism" would not be allowed to threaten the hegemony of the party, nor bring about another "crisis" of 1981 proportions. If any question existed over their intent, it was quickly resolved within days when the police broke up a meeting designed to revive the old socialist party. A similar contempt for dissent had been demonstrated earlier when the authorities prevented a group of old nationalists from placing a wreath on the tomb of the unknown soldier.

But if real political reform is a mirage, there is no gainsaying the case that Poland is going to have to do something about its economic structure and not much doubt that the authorities, albeit belatedly, have come up with as good a plan as can be devised at present. There is an implicit suggestion in the recent World Bank report that the corrective medicine need not be quite so bitter (Poland's external position could be improved by developing exports, thus buying a little time and money); and the record of the last six years must make any rational observer somewhat sceptical that the commitment to reform will endure.

But, for the moment, the TINA - there is no alternative - principle applies; not only is the party establishment bereft of non-Stalinist options, a fact which has induced General Jaruzelski to go with the reformers for the moment, but so are the intelligentsia and the dispersed elements of Solidarity, both of whom are reduced to claiming that they proposed first what is now being advocated. In any case, IMF standby credits are there to be negotiated and even if the Fund is no longer the bogeyman it was - and the Polish authorities, for internal consumption, proclaim it still is - there is little doubt in which direction Poland will be required to go.

This entails, as a *sine qua non*, the adoption of pricing policies more related to the real world, as well as a devolution of decision-making, promised six years ago but for the most part unimplemented. One third of the total Polish budget, according to Mr Samojlik, is consumed by subsidies, affecting all walks of life. Industry has chronic supply problems and technology leaves much to be desired. The autonomy of enterprises is still limited and their access to necessary foreign exchange variable. Foreign debt, about $36bn (£20bn), amounts to more than 40 per cent of gross domestic product and virtually no new external finance has been forthcoming since 1982. Individual initiative and capabilities do not get maximum encouragement in a system where the best positions are often reserved for the party's cadres.

This last one is a particularly tough nut to crack. "The opinion of the party cannot be ignored," Professor Sadowski intones. Thus, of 1,300 enterprises big enough to count, only about 900 will, under the reforms, be allowed to appoint their own managers without party interference. Tomorrow the party's central committee will discuss permitting greater freedom to associations and already there are rumblings from conservative elements of insufficient advance consultation.

The consequences of years of mismanagement are everywhere. Poles may retain their sense of style and hustle for hard currency with an inventiveness *more often associated with aspiring* Asians. But the Government's polls show that, for the last half dozen years, Polish expectations of improvement in their daily lives have been steadily going downwards. A visit to Warsaw's second largest flea market provides just one manifestation; broken furniture, decrepit shoes and clothes, rusty nails and pipes are the staple commodities, reflecting a society still trading, out of necessity, in items that in so many other countries would have no value.

It certainly does not help that there is so much palpable distrust between the regime and the intelligentsia, understandable though the latter's disaffection may be. The referendum proposals, naturally, will be approved but it is hard to find a thinking Pole in Warsaw who will actually bother to vote and thus, so the argument runs, legitimise the policies of a regime which does not deserve it.

Cynicism, scepticism and apathy are not just attitudes but facts of life. In the Soviet Union, it appears that it is the support of intellectuals that is underpinning Mr Mikhail Gorbachev's *perestroika* and *glasnost*, but in Poland no such bond, or even the hope of one, exists.

The reformers know they have a problem. Professor Sadowski says, with deliberate irony, that whenever he goes on television to say one thing his audience promptly goes out and does the opposite. Maybe this is why the authorities took the plunge and said prices would go up a lot. For all they know, Poles may accept this uncomplainingly.

And this really is the heart of the Polish dilemma, for there is no connection between the public and the private. Perlman's playing is universal and both his public and private audiences appreciated his artistry. There is only one Pole who in recent years has come close to bridging this gulf and his name is not Jaruzelski.

An icecream mountain which was well worth the trek

From Mr G.V. Tew.

Sir, Lucia van der Post and her group were unlucky to miss seeing Chomolhari while in Bhutan ("Kingdom of secrets," November 14). It is the sort of mountain which a small child would draw from its imagination, an ice-cream cornet upside down, with the ice cream at the thin end. It stands in magnificent isolation on an open plain, on which there is no tree, no grass, only the moss on which the yak subsists, and from which, where it has given way before its onslaught, the wind has carved great furrows.

During a month's leave at Darjeeling in October 1943 I asked what there was to be done. Three things, I was told. One could seek the acquaintance of those ladies whose husbands were away fighting in the Middle East. That did not seem to me to be a proper way to carry on. One could rollerskate, but the rink had not been repaired since before the war, and was rutted and dangerous. That left trekking. I set off with three Tibetans, Peh Mah, Pupusring and Su Yun. It took three days march to reach *Gangtock, the capital of* Sikkim.

The Political Agent of those times was Sir Basil Gould, who said I could only go on if I could persuade three doctors who were equipped with mules, and who had been waiting to seek his permission for themselves, to take me with them. He explained that solitary travellers had sometimes passed out at great heights, and it was expensive to get them down again. The doctors were agreeable.

We moved up to the Nathu-La pass, at about 14,500 feet, from which Chomolhari can be seen. My contemporary note reads: "It is the peak of one's dreams; steep, regular, with vicious overhangs, culminating in a jagged summit." One of the doctors and I walked up on to the west shoulder of the pass. The Himalayas stretched out into the far distance, shiny glistening snow peaks thrusting up through the carpet of cloud. Down the other side of the pass was Yatung, at the level of the river. On the cliff which constituted the far bank, soldiers of the Younghusband expedition had carved messages.

We moved onwards as far as Pharidjong, a trading post at the crossing of tracks from the four quarters of the compass. An Indian postal clerk was mighty glad to see us. This was as far as we had time to go. There was a day's rest. I asked to be allowed to borrow a mule to go to Chomolhari, several miles north in the direction of Gyantse and *Lhasa*. Off we set, the mule and I, and by the middle of the day we were on the lower slopes of the mountain, at about 16,000 feet; I could see Kanchinjunga. There was no visible danger. The snow lay far above, and the going was smooth. Suddenly the mule stopped. I reasoned that as the slope gave him more to do, he was hinting that I should walk. I started to try. That was not it. He had his front feet immovably tensed and wedged against the ground. There was nothing for it but to go back. He was very ready to let me ride in the reverse direction. As we got back to Phari, it had grown dark. He knew, I decided, much more about the geography and circumstances of the place than I did. But I was very glad to have got as near as I had to the ice-cream.

Gerald Tew,
17 Crestway,
Roehampton, SW15

FINANCIAL TIMES

Tuesday, November 24 1987

John Elliott in New Delhi reports on fresh political problems for Rajiv Gandhi

Indian 'press gag' fuels the fire

ALLEGATIONS that the Indian Government is trying to silence the Indian Express, the country's largest circulation newspaper and a relentless critic of Mr Rajiv Gandhi, the Prime Minister, are creating fresh political controversy just as it seemed that a year of disastrous setbacks had subsided into a quiet period.

India's parliament started a potentially quiet winter session two weeks ago. Despite the problems being faced by the country's armed forces in Sri Lanka, and despite a serious drought, it appeared that Mr Gandhi might not have to face any political crises for the rest of the year - unless he created them himself.

But last week the Government launched court action to take over the headquarters of the Indian Express, accusing the paper of subletting offices in breach of land use regulations - something widely practised by many companies, including other newspapers. Action has also been started under corporate law which could lead to the appointment of government directors to the newspaper's board.

The politically influential Delhi edition has been shut for over a month by a strike said to have been fermented by union activists linked to Mr Gandhi's Congress I Party. In September there were raids on several Express offices around the country by tax enforcement officers.

Under Mr Arun Shourie, its campaigning editor, the Express had been spearheading investigations into corruption allegations such as those concerning a controversial $1.4bn Bofors gun contract. It was working on fresh exposures before its Delhi edition was silenced and the attentions of its senior staff were diverted to dealing with the legal and other problems.

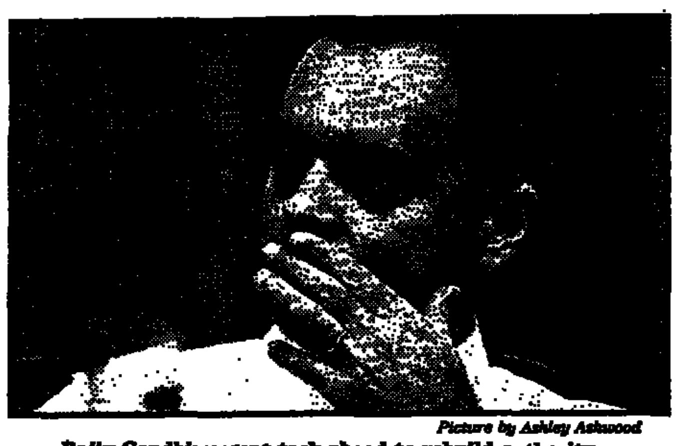
So it is widely assumed that Mr Gandhi has decided to weather a political storm over the freedom of the press, rather than risk fresh corruption allegations. Even observers who doubt whether Mr Gandhi is actually masterminding the campaign assume his aides are involved.

Either way, the situation appears to have been escalated unnecessarily with the building takeover bid, which is the result of long-running, and easily delayable, legal action.

This could build into a significant issue at a time when the opposition is desperately looking for something to take over from the corruption scandals which endangered Mr Gandhi's position in the summer.

Despite considerable concern about the Sri Lankan situation, where there have been heavy casualties among the 23,000-25,000 Indian peacekeeping force, there has been no widespread call for a change of policy, although it remains to be seen whether the weekend's trial ceasefire eases the overall situation.

Mr Gandhi is being criticised for moving too swiftly without sufficient prior analysis on his Tamil peace accord with Sri Lanka, and for restricting the ability of the army when it first arrived to operate effectively against the Tamil Tigers. There is great worry that India may have launched itself into a long guerrilla battle, or at best a communal policing role, with its troops and commanders operating unhappily on foreign soil at the invitation, and under the control, of a foreign power.



Picture by Ashley Ashwood

Rajiv Gandhi: urgent task ahead to rebuild authority

But many people believe India is exercising its regional authority correctly over a tiresome small neighbour. Sympathy for the army in a country accustomed to mass death is limited. There has been a stormy two day debate in parliament, but so far that is all. Unless there is a significant improvement by the end of this year, however, Sri Lanka will probably provide an increasingly important platform from which criticism of Mr Gandhi's general failings can be launched.

Mr Gandhi's political stock has been falling for over 18 months with numerous crises and a series of regional election defeats, broken for the first time last week with a victory in the tiny north-east state of Nagaland. Earlier this year there were the corruption scandals and revolts among ministers. Mr Vishwanath Pratap Singh, Mr Gandhi's former finance and defence minister, emerged as a significant opposition figure with populist anti-corruption policies.

The problems have meant that decision-making in many areas of government has virtually stopped for many months. Files on development projects and contracts have remained closed, although there have been some signs this month of a few being reopened. Hardly any major contracts have been signed.

Mr Gandhi's task now is quickly to try to rebuild his political base and authority so that he is ready to tackle the important annual budget session of parliament starting next February, when a lot of issues which have faded from the headlines will have to be faced.

Then Mr Gandhi has to look ahead to the next general election which is due at the end of 1989. He could call snap polls during the next few months to try to reassert his authority, but this seems an unneccessary gamble, given that he still controls nearly 400 of parliament's 540 seats.

By mid-1989 he must prove himself a potential vote winner, or his MPs may be tempted just before the polls to desert him, perhaps for Mr Vishwanath Pratap Singh if he has managed to sustain his popularity.

It is widely accepted, even by the most active oppositon MPs, that having survived the summer Mr Gandhi should not find it too difficult to last till 1989. The pull of his family name and the ineffectiveness of India's divided opposition parties could even give him another victory. But first he must be seen to be doing better - which is probably why he is worried about the Indian Express.

THE LEX COLUMN

Anti-climax all round

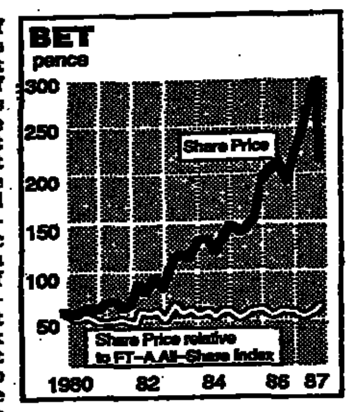
At least there were no signs of any panic selling in the world's financial markets yesterday, but the underlying mood was one of disappointment as investors digested the implications of the US deficit reduction package. It is far more a statement of intent than a firm agreement and the markets are becoming resigned to several more weeks of watching Washington's idiosyncratic political machinery crank out a final package. Given the size of the US economy, and its propensity to revise official figures, it might seem churlish to pick holes in the latest US budget arithmetic. However, it is hard to dispute the conclusion that the whole debate has only served to highlight that there is a policy vacuum in Washington when it comes to dealing with international financial matters.

It is probably going to be several weeks before the final outcome of the deficit reduction package is known, and until this happens it is unlikely that there will be any more major initiatives to restore confidence in the financial markets, such as a G7 meeting or a coordinated cut in the interest rates of America's major trading partners. Of course this could change, if there was another dramatic collapse in world share prices or the dollar. But barring these sorts of cataclysmic events, trading in the rest of the financial markets is likely to be lacklustre and the dollar is expected to drift lower and could soon test its recent lows.

The UK equity market moved ahead yesterday, buoyed by the bullishness of the CBI Trends survey, but trading volume was low and the gilt-edged market was weak. Unlike the dollar, sterling has been very firm since last month's Great Crash, and worries about overheating in the domestic economy appear to have been forgotten. A nasty set of UK trade figures today could deflate the rather self-satisfied view of Britain's economic managers.

Accounting methods

The accounting profession's first statement on flip flops, drop locks, bunny bonds and other fancy instruments is as clear and logical as the great variety of hybrid capital issues are complex. Quite simply, interest costs, whether explict or hidden in a discount or an equity warrant should be treated as such and charged each year against profits. The kind of fancy footwork which allowed Greycoat to boost its profit by some £1.5m a year by charging the discount of a deeply discounted bond against its share premium account has been deemed unacceptable. While Greycoat may have a point in arguing that its treatment was true and fair as the zero coupon issue was matched by the property assets it financed, nevertheless it seems inappropriate that a company can increase its profits merely by adding a couple of bells and whistles to its choice of bond.



Whether the recommendation will mean that merchant banks will fire their rocket scientists is another matter. Already most companies making new fangled bond issues account for them in the prescribed way. As yesterday's edict is not binding, dissenters can continue to behave as they please, although in practice they may find that they have to change their auditors to do so. In any case the heath of the market for fancy bonds is likely to have more to do with the whims of the investor than accounting methods. Indeed, it is a pity that clear accounting recommendations have only emerged now that the once fashionable hybrids are being overtaken by a return to good old fashioned issues.

BET

BET enjoys so many classic defensive qualities that it can afford to disappoint the market, slightly, as it clearly has done with its latest interim figures. The company has probably calculated that in these uncertain times it is worth tucking away a little bit more of its earnings than usual. This is a trend that may catch on, but then not many other companies can boast a 25 per cent yield premium and such formidable cash generating capacities.

BET disassociates itself from the average acquisitive conglomerate - hit so hard in the crash - by its high level of business on long-term contracts and, judging by these figures, its relatively high level of organic growth. However the fact that over half the 46 per cent increase in operating profit comes from internal growth still disguises the unrepeatable integration benefits from earlier acquisitions. The powerful performance in construction may also be a cyclical benefit.

The 30 per cent rise in reported earnings per share will probably be down to just under 10 per cent for the full year thanks to the equity hang-over from the ADR issue and the bond conversion. The company is understandably pleased that it has suffered so little flow-back either from the US or the foreign bond-holders, with the US loyalty attributed to a higher than usual private investor stake. That, however, may merely be holding off a problem for the future, especially as US accounting conventions for goodwill make the group's earnings growth look rather less appetising in dollar terms.Nonetheless, with interest cover at more than seven times there should be plenty of opportunity for cash acquisitions, which makes a rating of 10 attractive.

Mexico

Those who are looking for the Hitachis of tomorrow in America's backyard should not give up yet. The Mexican stock exchange may have topped the world league for spectacular losses since Black Monday - some $26bn, or 75 per cent, has been wiped off the market's capitalisation since then - but amazingly, investors are still substantially better off than a year ago. Those who managed to resist Peso Panic last week - the currency fell by some 45 per cent on Wednesday when the Bank of Mexico withdrew its support - are still sitting on a 36 per cent gain in dollar terms on the year. (In fact, the devaluation was the best news the market had had all week, with investors stampeding back into stocks as an inflation hedge). Heavily dependent on the US economy, and prone to panic, Mexico is scarcely for the faint-hearted. But the fundamentals are sounder than they have been for years, and growth through government spending would be a fair bet in an election year.

Ethiopian region has only four weeks' food

By Michael Holman in London

NEARLY a million people in one of Ethiopia's four regions most severely affected by drought have only four weeks' supply of food left, a leading aid agency working in the country warned yesterday.

The London office of Care, an internationally-backed agency which played a leading role during Ethiopia's last famine, has released a report from one of its workers in Hararghe province, lying between the capital, Addis Ababa and neighbouring Somalia.

The situation was "critical", said the report, but added that "a major disaster" could be prevented if food arrived soon.

"We have all the systems needed to cope quickly and efficiently."

The Ethiopian Government has appealed for more than 1m tonnes of food aid after the failure of the 1987 harvest in many parts of the county.

According to Care, at least 80 per cent of the maize crop and 50 per cent of the sorghum crop has been lost in Hararghe, leaving 925,000 people at risk out of a countrywide total of 5.2m people threatened by famine.

At the height of the 1984-85 crisis, Care was feeding 500,000 people.

This has fallen to 175,000 and the agency has been supporting long-term development work such as tree planting, terracing and other forms of soil and water conservation.

Care, with the support of Britain's Overeas Development Administration, is already sending 7,500 tonnes of grain to Hararghe.

It has also launched an appeal for £210,000 ($372,000) to help cover the costs of transport, spares and distribution.

● Mr Bob Geldof, the pop star who two years ago raised millions of dollars for Ethiopia, is making a new mission to the East African country, Reuter reports from London.

His Band Aid organisation, which has raised $140m since 1985, said yesterday that he was leaving on November 30 and would spend about 10 days in the country.

"Band Aid still has about $20m left and if Mr Geldof feels there's a need for it to be spent in Ethiopia, it will be sent to relief groups," a spokeswoman said.

However, Mr Geldoff would not be launching another Band Aid campaign.

Ethiopia's Relief and Rehabilitation Commission has issued an appeal for 1.05m tonnes of relief grain.

Yassukovich elected chairman of UK Securities Association

BY CLIVE WOLMAN IN LONDON

MR STANISLAS Yassukovich, chairman of Merrill Lynch Europe and Middle East, was yesterday elected chairman of the Securities Association, Britain's regulatory body supervising the securities industry and the largest self-regulating organisation under new investor protection legislation.

He is due to succeed Mr Andrew Large, who is taking up a senior post in Swiss Bank Corporation on January 1. His term of office runs to next November when a new, and as yet undetermined, constitution is due to be introduced.

Mr Yassukovich was elected unopposed, after soundings of the 28 members of the Securities Association board, organised by Mr Large, revealed a consensus.

Mr Richard Lawson, the other deputy chairman, was not considered eligible because his background is with the domestic Stock Exchange.

Under the unpublished terms of the merger agreement last autumn between the Stock Exchange and the International Securities Regulatory Organisation, the recognised investment exchange under the Financial Services Act was to be headed by Sir Nicholas Goodison while the Securities Association would be led by a practitioner from an overseas financial institution.

Mr Yassukovich, 52, was born in Paris, the son of a former Tsarist military officer, and later became a US citizen. He has worked in London since 1962, joining Merrill Lynch, the US securities firm, in 1985. For the last year, he has served as Sir Nicholas' deputy chairman and on the Securities Association board, although not on its executive or other committees. He has not been involved in the heated negotiations over the new Securities Association rules.

Until recently his reputation was less as a defender of the rights of the investing public than as a highly effective advocate of a lighter regulatory burden on the international securities firms in London. Last year he condemned the new City of London regulatory system as "the worst form of compromise. I think it would have been better either to have left the markets to regulate themselves or to establish a body like the SEC (the Securities and Exchange Commission, the US regulatory agency.)"

Last night, he said his aim was to ensure the effectiveness of the new legislation, "without getting ourselves into excessive complexity or ending up with large legal bills for practitioners."

Wall St firm named in suit

BY JAMES BUCHAN IN NEW YORK

KIDDER PEABODY, the Wall Street investment firm which once employed the diagraced former banker, Mr Martin Siegel, was yesterday named in a civil lawsuit demanding at least $300m in damages to cover losses caused by alleged insider trading at the firm.

The suit, which also names Mr Siegel and Mr Ivan Boesky, the former stock speculator accused of running an insider trading ring, is one of the host of suits from companies and stockholders that lawyers expect to arise from the Government's crackdown on Wall Street.

Lawyers say that a Supreme Court ruling last week which upheld the legal basis for the recent insider trading prosecutions removes a big obstacle to civil suits.

Maxus Energy, the Dallas oil and gas company created from the break-up of Diamond Shamrock Company this year, filed suit in a Texas state court alleging that Mr Siegel's leaks to Mr Boesky artificially inflated its $1.5bn acquisition of Natomas in 1983.

Maxus Energy, which is demanding $300m in actual damages and unspecified punitive damages, alleges that Kidder and Mr Siegel, who led the team advising Diamond Shamrock on the Natomas offer, "defrauded the company by Mr Siegel's tips to Mr Boesky, which drove up the price the company had to pay for that acquisition for that company," according to Mr James Kelley, the company's counsel.

The suit is the second big action involving Kidder and Mr Siegel.

The two are named as co-defendants in a $2.4bn suit brought by Unocal, the west coast oil company, which alleges that a partner at Goldman Sachs leaked confidential details of its defence against takeover to Mr Siegel.

The suit went into abeyance in June when the Government temporarily dropped its indictment of the Goldman Sachs partner, Mr Robert Freeman.

A New York judge has started pre-trial hearings on a vast civil lawsuit against Mr Boesky, Mr Siegel, Kidder and others on behalf of stockholders who claim they were defrauded by the insider trading ring because they did not have access to the same information.

EC to offer trade deal to Gulf

BY QUENTIN PEEL IN BRUSSELS

THE EUROPEAN Community yesterday agreed to offer a new co-operation deal to Saudi Arabia and fellow conservative Gulf states as a gesture of political solidarity - but refused to include any significant trade concessions.

The proposed deal would be for a simple standstill in current trade relations, combined with the promise of industrial, scientific, cultural and political co-operation.

Only in a second phase of negotiations would any move to trade liberalisation be considered, in response to a Saudi request for the establishment of a free trade area between the EC and the six member-states of the Gulf Co-operation Council.

Any proposal for a more generous trade offer - to demonstrate the EC member-states' political support for conservative countries in the Gulf war zone - was effectively blocked by both the UK and the Netherlands, both fearful of the consequences for the European petrochemical industry.

The new mandate, formally approved by the EC foreign ministers yesterday, sets four potentially strict conditions on any trade liberalisation to be negotiated in a second phase.

The mandate insists that any deal must not damage the restructuring efforts of the EC oil refining and petrochemical industry, nor the EC production capacity.

Another condition would be that trade liberalisation should not threaten the infant industries in the Gulf countries.

Belfast and Dublin join in IRA arms hunt

Continued from Page 1

have not been willing in the past to link Libya - with which the Republic enjoys cordial trade relations - directly to recent arms seizures.

In Northern Ireland at least 40 people, including a number of Sinn Fein councillors and party activists, were arrested during dawn swoops.

Police raided homes throughout Londonderry, Tyrone and Armagh and took a number of people to the heavily fortified Gough barracks for questioning.

The RUC said the Northern Ireland part of the operation involved carrying out searches, effecting arrests and sealing the northern side of the border.

A police spokesman said: "The operation was mounted because recent intelligence has indicated that substantial amounts of arms and explosives have been brought into the country by terrorists."

Mr Ken Maginnis, the Official Unionist MP for Fermanagh-South Tyrone and a former major in the Ulster Defence Regiment, said he welcomed any steps which were taken to get to grips with terrorism.

However, Mr Maginnis was critical of the Republic's decision to announce the operation before it took place, and said it seemed those who possessed weapons illegally were being given a chance to escape.

Mr Maginnis said he wondered if it was not simply a publicity stunt to bolster up a failed Anglo-Irish Agreement.

Unionist politicians in Northern Ireland have called consistently for much tougher government security policies in the battle against terrorism. They believe that cross-border co-operation under the agreement has failed.

But Mr King said recent events had underlined, perhaps more closely than ever before, the importance of close security co-operation between Britain and the Republic.

The security clampdown comes just a week before the Dublin Government is due to introduce new extradition procedures. Although some members of Irish Prime Minister Mr Charles Haughey's Fianna Fail Party are still resisting the move, it is felt the Extradition Bill will be ratified on December 1 as planned.

World Weather

		°C	°F
Ajaccio	C	12	54
Algiers	C	17	63
Amsterdam	F	7	45
Athens	F	18	64
Bahrain	S	27	81
Bangkok	S	34	93
Barcelona	F	10	50
Beirut	F	22	72
Belfast	S	7	45
Belgrade	F	8	46
Berlin	C	4	39
Biarritz	C	8	46
Bombay	S	33	91
Bordeaux	C	8	46
Brussels	C	5	41
Budapest	S	6	43
B. Aires	C	24	75
Cairo	S	24	75
Cape Town	S	25	77
Caracas	C	28	82
Casablanca	C	17	63
Chicago	F	7	45
Cologne	F	7	45
Copenhagen	C	6	43
Corfu	F	14	57
Dallas	C	13	55
Dublin	F	7	45

		°C	°F
Dubrovnik	F	13	55
Edinburgh	F	7	45
Faro	F	16	61
Florence	F	11	52
Frankfurt	C	6	43
Funchal	F	19	66
Geneva	C	5	41
Gibraltar	C	16	61
Glasgow	S	8	46
Guernsey	C	6	43
Helsinki	Sn	-3	27
H. Kong	S	26	79
Innsbruck	F	4	39
Inverness	F	7	45
Islamabad	-	-	-
Istanbul	S	16	60
Jakarta	-	-	-
Jersey	C	6	43
Jo'burg	F	24	75
Lima	-	-	-
Lisbon	F	13	55
London	C	5	41
Los Angeles	F	11	52
Luxembourg	R	4	39
Madrid	F	8	46
Majorca	F	12	54
Malaga	F	15	59

		°C	°F
Malta	C	17	63
Manchester	F	5	41
Manila	-	-	-
Melbourne	F	25	77
Mexico City	-	-	-
Miami	F	21	70
Milan	R	6	43
Montreal	F	-5	23
Moscow	Sn	-12	10
Munich	S	5	41
Nairobi	C	18	64
Naples	C	13	55
Nassau	-	-	-
New Delhi	S	27	81
New York	C	0	32
Nice	F	12	54
Nicosia	-	-	-
Oporto	F	11	52
Oslo	D	2	36
Paris	C	5	41
Peking	S	11	52
Prague	F	7	45
Reykjavik	C	-1	30

		°C	°F
Rhodes	S	18	64
Rio de J'o	-	-	-
Rome	T	19	66
Salzburg	S	6	43
San Francisco	F	8	46
Seoul	S	15	59
Singapore	F	30	86
Stockholm	F	4	39
Strasbourg	F	8	46
Sydney	S	23	73
Taipei	-	-	-
Tangier	C	16	61
Tel Aviv	S	23	73
Tenerife	S	22	72
Tokyo	S	13	55
Toronto	F	3	37
Tunis	S	16	61
Valencia	F	13	55
Venice	R	6	43
Vienna	S	6	43
Warsaw	Sn	-1	30
Washington	-	-	-
Zurich	F	5	41

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Nigeria agrees loan facility

Continued from Page 1

recently ordered partial payments to be made of arrears on some $4.5bn in official export credits that were rescheduled by the Paris Club earlier this year. But he acknowledged that there had been disagreements, particularly with the UK, on the calculation of the relevant interest rates. This has delayed resumption of fresh export credit to Nigeria.

The IMF programme will be based on the 1988 budget, which Dr Okongwu said he expected to present at the end of the year.

UK farm plan opposed

Continued from Page 1

bogged down on the plans for cereals, with West Germany arguing for a higher production limit - as much as 10m tonnes above the 155m tonnes proposed by the Commission - and a smaller price penalty.

There was considerable resistance from southern states in particular to including a plan to pay farmers to take land out of production - the so-called set-aside programme. However Bonn says it does not go far enough.

The foreign ministers, meeting next door, argued that they could not make significant progress on a total budget package without knowing the outlines of a farm deal.

They did succeed in making some progress towards compromise on setting the financial guidelines for farm spending, according to some key officials in attendance, but all the main issues have yet to be resolved.

While Sir Geoffrey's plan would ease the "hump" of spending over the next five years, if it can be agreed, differences remain on the permissible growth rate for farm spending, and for all other spending, and how to define any exceptional circumstances which would allow the spending limits to be exceeded.

Editorial comment, Page 26.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday November 24 1987

Pan Am takeover bid led by debt collection agency

BY ANATOLE KALETSKY IN NEW YORK

PAN AMERICAN, the troubled US international air carrier, whose unions have been trying to unseat the management by enlisting the help of several powerful financiers, yesterday received an unusual takeover bid from an investor group led by Towers Financial, a little-known New York firm.

Towers Financial, a debt collection agency with some small interests in the fire insurance business, has made a tender offer for an exchange of Pan Am's common stock into a new Towers preferred stock. No cash appears to be involved in the proposed transaction. At yesterday's lunchtime share price, unchanged at $3.75, the whole of Pan Am's common stock would be worth around $500m.

Towers, which has been putting pressure on Pan Am's management through a barrage of news releases and public statements, but has shown little evidence of the financial resources needed to mount a takeover, has not hitherto been taken seriously by the market as a potential bidder for Pan Am.

However, Mr Steven Hoffenberg, Towers chairman, said yesterday that he had won commitments from 7 per cent of Pan Am's shareholders for his exchange offer. Towers says that it actually owns only about 100,000 shares in Pan Am.

The main financial backer involved in the Towers financial bid is Mr Abraham Hirschfeld, a New York and Florida real estate developer.

In addition, Towers has enlisted the support of the Teamsters Union, which represents many of Pan Am's ground employees, as well as an unusual collection of consultants. These include Mr John Lehman, a former secretary for the US Navy, Mr John Mitchell, the former Attorney General in the Nixon Administration, and Mr Edward Nixon, the former president's brother.

Mr Hoffenberg explained Mr Nixon's involvement by saying that his international experience was "enormously helpful" in putting together the bid.

Edelman may lower terms for Telex

BY JAMES BUCHAN IN NEW YORK

MR ASHER EDELMAN, the New York investor whose $953m offer for Telex has looked ever more doubtful since last month'sstock-market crash, yesterday confirmed Wall Street's worst fears by saying he might downgrade his bid for the beleaguered computer company.

Mr Edelman said he had extended his $65 a share offer, which was due to expire last Friday, until Wednesday, but he warned that he had discussed with his financial backers a drop in the price and a change in the offer's structure offer.

Mr Edelman faces large losses, on paper at least, if he proceeds with his tender offer. On Friday, some 11.3m shares, or around 77 per cent of the company's stock, had been tendered at $65 a share. Yesterday Telex could be bought in the market at only $49.

Telex stock, as high as $70 in response to the Edelman offer in September, fell to as low as $30 last month on fears that Mr Edelman would not be able or willing to proceed with his offer in the depressed market conditions.

Analysts say Telex stock could be lower than $49 but for a recapitalisation plan proposed by the company itself.

Campeau stake boosted by O & Y

By David Owen in Toronto

OLYMPIA & YORK, the privately-held property and resources empire which is currently weighing a bid for Santa Fe Southern Pacific, has boosted its stake in Campeau, the Canadian property developer, to the equivalent of 10.48 per cent of outstanding subordinate voting shares.

The company, which is controlled by Toronto's reclusive Reichmann brothers, said that the holding was for investment purposes.

Analysts played down speculation that the move might lead to a possible attempted takeover of Campeau, saying that the sizeable stake held by Mr Robert Campeau, the chairman, was "unassailable at the moment."

They suggested that it might stem from a decision by the Reichmanns to redeploy funds garnered from its recently cashed-in minority stake in the Toronto property developer, Cadillac Fairview, back into Canadian property.

There is general recognition, however, that Campeau, which emerged with a heavy debt burden from last year's bitterly fought C$4.9bn (US$3.74bn) takeover of US retailer Allied Stores, will at some point - despite steps taken to reduce debt by a successful programme of asset disposals, need additional financing.

Olympia & York's disclosed 4.74m share stake assumes the conversion of certain debentures which it holds.

Some of these are convertible at C$31.50 per subordinate voting share - well above the C$14½ level at which Campeau stock closed last week on the Toronto Stock Exchange.

Sara Webb on an acquisition by a leading Swedish manufacturer

Electrolux widens kitchen recipe

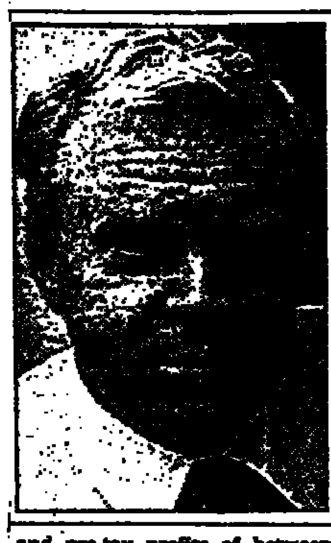
ELECTROLUX of Sweden, the world's leading white goods manufacturer, has moved to strengthen its kitchen goods and building materials distribution network with last week's acquisition of Ahlsell Bygg.

Ahlsell Bygg, which was acquired by Boliden, the Swedish mining, metals and chemicals group, last year when it took over the Ahlsell trading group, comprises a chain of wholesalers selling heavy building materials to contractors and small dealers.

It has a turnover of SKr500m ($82.6m), a staff of 200, and was making what was considered to be an inadequate profit. Boliden estimated that to compete with Electrolux's wholesale operations (called Beijer Byggmaterial), Ahlsell Bygg would have to be built up to an annual turnover of about SKr3bn.

Instead, Boliden preferred to sell it (for an undisclosed sum) because the Boliden management has been preoccupied over the past year with restructuring its main business areas and taking the group out of loss.

For Electrolux, the acquisition will mean a significant increase in the turnover of its Beijer Byggmaterial subsidiary and help boost the number of outlets for its products.



The acquisition of Ahlsell Bygg will increse the number of outlets available to the Electrolux group's outlets and help boost contact with customers in the white goods sector, according to Mr Anders Scharp (left), chairman

This year, Beijer Byggmaterial expects a turnover of SKr2bn and pre-tax profits of between SKr20 and SKr25m - the target set by the management. It has a staff of 1,100 and mainlysells heavy building materials, home building and DIY (do-it-yourself) materials.

Mr Anders Scharp, Electrolux's chief executive, said the acquisition wouldl help boost the group's contact with white goods customers by providing new outlets in parts of Sweden where Beijer Byggmaterial is not already present.

"The small dealers for household appliances simply do not have the space to show our complete kitchen range, but Beijer Byggmaterial has a chain of outlets where they can show kitchen centres with cookers and kitchen cabinets," Mr Scharp said.

"With the growing demand for built-in products, it is important for us to show customers how the different units can be put together." The chain is also an outlet for garden products.

The Beijer Byggmaterial chain, which Electrolux acquired in 1985, reported losses for the past two years (SKr29m in 1985 and SKr15m in 1986). However, Electrolux has turned the company around with new management, divestments and restructuring.

Sales of heavy building materials accounted for most of Beijer Byggmaterial's turnover (SKr1.4bn out of SKr2bn) and in this sector it competed with Ahlsell, as well as with a host of family-run businesses, which the group says are far too expensive to buy.

This part of the business specialises in supplying lumber once it has been treated or "value-added".

Mr Bo Sternbrink, managing director of Beijer Byggmaterial, said the company would concentrate on strengthening "the more modern areas" of heavy building such as steel, lacquered steel, aluminium and glazing.

But he said Electrolux would have to look at other ways to expand outside white goods - which accounts for 40 per cent of group turnover - and that one sector which could prove important is the sale of housebuilding materials.

Noranda posts strong second-half recovery

BY ROBERT GIBBENS IN MONTREAL

RISING METAL and forest products prices and strong demand have created an upsurge in second-half profits of Noranda, the Canadian mining group, and the company plans special asset write-downs to defer taxes and smooth its earnings flow.

Net profit for the whole of 1987 will be about C$312.6m (US$238.6m) or C$1.92 a share, and could reach C$320m if copper and zinc prices go on climbing, Mr Alfred Powis, the chairman, told Toronto analysts. Sales will be well over C$7bn.

Noranda, now Canada's largest integrated resources group and controlled by the interests of Mr Peter Bronfman and Mr Edward Bronfman of Toronto, was hit badly by the 1982 recession and returned to break-even in 1986, for the first time in four years. Last year it showed profits of only C$14.7m (US$11.2m) on sales of C$6bn.

Its operations include zinc and copper mining and refining, pulp and paper, oil and gas and industrial products.

Pulp and paper will contribute about C$228m to this year's expected profits, and mining and minerals C$120m.

Brazilian sugar chief resigns over scandal

BY ANN CHARTERS IN SAO PAULO

IN YET another scandal involving a government operation, President Jose Sarney of Brazil removed the politically appointed president of the Institute of Sugar and Alcohol from office last Friday for misuse of public funds, favouritism and incompetence.

Mr Jose Ribeiro Toledo, a sugar mill owner from the country's north east, is accused of granting special favours to certain sugar cane co-operatives and increasing the IAA's debts, estimated at $450m, through poor accounting and financial control.

The IAA, which controls Brazil's sugar exports and allocates domestic quotas for sugar cane and ethanol production, has come under fire both for losing money on sugar exports and general inefficiency resulting from its swollen bureaucracy of more than 3,000 employees.

The latest intervention follows a move by the Ministry of Commerce and Industry a week earlier when new directors were sent into Companhia Siderurgica Paulista (Cosipa), a state-owned steel company with operating losses reported at Cr12bn ($2bn).

Germans attack UK plaster sector

By Andrew Taylor in London

THE BATTLE for Britain's fast-growing plasterboard market - with annual sales of £250m ($425m) intensified yesterday when Knauf, West Germany's biggest plasterboard manufacturer, unveiled plans to build a factory in south-east England.

The virtual monopoly of UK plasterboard sales held since 1967 by BPB, the British building materials producer, is now threatened from several directions.

Redland, another British building materials manufacturer, and CSR, the Australian building materials, sugar and natural resources group, have already established a joint venture seeking up to 30 per cent of the UK plasterboard market.

Knauf, based in Iphofen in Bavaria, has applied for planning permission to build a plasterboard plant in Kent.

The company has an option to buy the site from Bowater Industries, the British paper group.

Mr Jamie Stevenson, building analyst of Wood Mackenzie, the stockbrokers, said the scale of Knauf's planning application indicated a plant with a capacity of around 20m sq m of plasterboard a year. This, he forecast, could represent just over 10 per cent of the British plasterboard market by 1990.

Knauf is thought to be planning to import gypsum from Spain. It is expected to combine this with liner paper produced at neighbouring Kemsley Mill, a paper plant aquired in 1986 by BUKP Holdings in a management buy-out from Bowater.

Planning permission is expected to be granted on December 10.

Last week Eternit TAC, a Belgian-based company announced plans to import plasterboard into the UK.

It has taken over the import and distribution facilities of Lafarge Coppee.

INTERNATIONAL COMPANIES & FINANCE

Karen Fossli on the problems facing Norway's state energy group

Status of loss-making Statoil under fire

THE ADDITIONAL costs of NKr5.4bn ($850m) faced by Statoil, the Norwegian state energy group, on expanding its Mongstad refinery is a financial blunder the company can ill afford.

Expanding oil and gas production through most of the 1980s has led Statoil to dominate a large section of the Norwegian economy. Its revenues account for about 10 per cent of total gross national product and provide a similar percentage of the state's income.

Not surprisingly the company has run into heavy political opposition. Its critics have long held it to be too influencial economically. And the allegations of an attempted cover up of the Mongstad costs overrun are providing them with new and potentially lethal ammunition.

In 1985, Statoil achieved profits of NKr15bn (before extraordinary costs) on turnover of NKr51bn. But in 1986, when oil prices collapsed, profits plummeted. On turnover of NKr49bn it earned profits of just NKr4.5bn. This year, Statoil expects profits of between NKr6bn and Nkr7bn on a turnover of NKr50bn.

The company claims the highest oil and gas discovery success ratio (about 70 per cent) of any other North Sea operator. This figure, however, can be misleading since Statoil enjoys a minimum 50 per cent direct stake in all Norwegian oil and gas licences.

Statoil says that its exploration success should not be attributed to special privileges. But opposition politicians have repeatedly argued that Statoil does have a *special status* and *that its management* is not as efficient as it would seem. They are pressing for at least part of the company to be privatised.

The company also faces potential problems over its Gullfaks project, Statoil's first direct operation of a field development. Statoil claims that Gullfaks, the first wholly Norwegian offshore *development*, is ahead of schedule and below budget.

However, there has been speculation - and even a degree of confirmation by Norwegian authorities - that the project is destined to run into difficulties. It is alleged that additional investment will be needed, because of production problems, if the project is to be profitable. Like the Mongstad project, Statoil has kept information about Gullfaks a closely guarded secret.

Mr Arve Johnsen, president of Statoil: Willing to leave if requested

The ownership of *Statoil has* been a central political issue since the company was created 15 years ago. Following the most recent government review of its status, implemented in 1984, the company has been required to behave as an *independent group* working within the framework of Norwegian energy policy while representing national interests in energy affairs.

Under the forceful leadership of Mr Arve Johnsen, the president, *Statoil* has succeeded in competing internationally and has operations in all of the Scandinavian countries, the UK, the US, the Netherlands, West Germany, Malaysia and China. Mr Johnsen has always done things "his way."

From time to time the question of breaking up Statoil into a number of individual entities has been raised. In the words of Mr Arne Oeien, the Energy Minister, this would give a "transparency of profitability." The issue is *expected to be put to* parliament next spring once the national budget debate is completed.

At all events, the alleged Mongstad coverup would appear to have provided a sound argument for the break-up of the company. Politicians have already forced the resignation of half of Statoil's board and this has led to offers to quit from three others.

A *new* board is to be appointed by the Mr Oeien, and Mr Johnsen, who had, until the weekend, remained steadfast in his decision to stay, is now willing to leave if requested. The new board, which could be appointed this week, is expected to appoint a new president.

Top political leaders say, however, that Norway has neglected to groom a "tough *enough*" successor to Mr Johnsen. Statoil's 11,000 employees say they will ask the new board to reaffirm Mr Johnsen's position as president. Whatever happens, Statoil now looks set to undergo some profound organisational changes.

The alleged autocratic rule of Mr Johnsen is about to come to an end. Norwegian energy authorities and politicians are also to impose strict financial reporting procedures on the company.

Bet Shemesh takeover called off

By Judith Maltz in Jerusalem

THE ISRAELI privatisation programme *has* received *another* setback with the collapse of an agreement to dispose of Bet Shemesh Engines, the debt-ridden aero engine manufacturer.

Mr Stef Wertheimer, a leading industrialist, has backed out of his plans to take control of the company on the grounds that the transfer has been held up for too long by red tape.

Insisting that his decision was final, Mr Wertheimer, who is the owner of Iscar, a successful exporter of precision tools and *aero engine components*, said yesterday: "Israel is not yet ready for privatisation."

In August the Government had approved the sale to Mr Wertheimer of its 58 per cent stake in the company, of which Pratt and Whitney of the US owns the remainder. This followed a year of negotiations with him and other potential buyers.

It was agreed that no payment would be made for these shares, but that Mr Wertheimer would inject fresh capital. In addition, the Government said it would take responsibility for Bet Shemesh's accumulated debts in excess of $100m.

Just days after this decision, the Government voted to cancel the Lavi fighter bomber project. Bet Shemesh had been contracted to manufacture parts for the Pratt and Whitney TW 1120 turbo fan engine, which was to have powered the aircraft.

Mr Wertheimer yesterday denied that the scrapping of the Lavi had anything to do with his withdrawal. "I could have coped with it," he maintained.

Pratt and Whitney last year threatened to pull out of Bet Shemesh if a private investor were not found to take over the government's stake. But Mr Tom Neary, the US group's representative in Israel, said yesterday: "I'm not so sure the story is over with Mr Wertheimer."

The Treasury, which is in charge of negotiating the sale, said a team would this week seek to resolve the problems

Good year for Japanese city banks

BY IAN RODGER IN TOKYO

MITSUBISHI BANK became Japan's most profitable bank in the six months to September, displacing Sumitomo Bank in pre-tax profit ranking. *However*, Fuji Bank has become the champion banker, making the largest profits on pure banking business excluding gains on bond dealing and securities investments.

With a couple of exceptions, the 12 "city" or commercial banks have all enjoyed another period of rapid growth in the first half of their fiscal year. Their combined pre-tax profit rose 22 per cent to Y838bn ($6.2bn), reflecting buoyant lending and dealing conditions.

Excluding profits on bond dealing and securities investments, the combined outcome was up 32.2 per cent to Y708.6bn. The city banks have been particularly active lending to clients for investments in property and the stock market and benefited during the period from rising deposits and the declining trend of money market rates.

The only banks moving against the growth trend were Sumitomo, Mitsui and Hokkaido Takushoku. Sumitomo, until last year Japan's most profitable bank, has suffered because of the high cost of its takeover of the *Heiwa Sogo* Bank and its investment last year in Goldman Sachs of the US.

The decline in Sumitomo's performance has already caused a top management shake-up in the bank, leading to the early retirement of its former president in September.

The 10.8 per cent drop in Mitsui's pre-tax profits was attributed by a bank *official to the* slump in bond market activity since May. Its banking or *so-called* limited pre-tax profits were up 153.4 per cent to Y73.5bn.

Mitsui this month became the latest big bank to launch a share issue in order to boost capital adequacy. It offered 25m new shares to raise an estimated Y53bn, the proceeds of which would raise the bank's primary capital ratio to 2.95 per cent from 2.71 per cent.

Fuji's limited profit was Y106.4bn, up 25.9 per cent and well ahead of its nearest competitor, Mitsubishi Bank, with a limited profit of Y88.3bn. Dai-Ichi Kangyo Bank was third with Y85.5bn, followed by Sanwa Bank (Y81.1bn), Sumitomo *(Y80.4bn) and Mitsui*.

Sumitomo was the only bank among the top five to suffer a decline in its limited pre-tax profit - this fell 6.8 per cent in the aftermath of its acquisition of Heiwa Sogo Bank.

The city banks generally are uncertain about their performance in the second half of the current year because of the yen's renewed rapid appreciation against the dollar and the instability of securities markets since October.

Sumitomo, for example, forecast that its net income would rise sharply to Y94bn from Y57.4bn, but a bank official said the actual result "may differ widely" because of a possible revision in loan loss reserve regulations and because of "the volatility on the stock and money markets since Black Monday and the likelihood of further appreciation of the yen."

JAPANESE COMMERCIAL BANKS

	Pre-tax profit		Banking pre-tax		Net profit	
	Ybn	%	Ybn	%	Ybn	%
DKB	109.4	+28.4	85.4	+20.5	58.5	+34.4
Sumitomo	104.5	-10.3	80.3	-6.9	47.0	-14.7
Fuji	117.6	+27.1	106.3	+25.9	62.3	+35.9
Mitsubishi	138.9	+60.7	88.3	+32.5	62.1	+41.0
Sanwa	95.0	+19.0	81.1	+20.3	50.3	+22.5
Tokai	56.6	+19.5	65.9	+123.2	24.8	+20.0
Mitsui	60.2	-10.8	73.4	+153.6	30.2	+27.4
Taiyo Kobe	44.5	+55.8	35.7	+39.9	20.3	+54.8
Kyowa	40.0	+47.1	27.0	+21.8	17.9	+56.1
Daiwa	34.8	+70.9	36.1	+62.3	17.1	+41.5
Saitama	23.2	+10.3	21.0	+1.6	11.2	+21.9
Hokkaido T.	12.7	-8.7	7.4	-31.0	7.7	+25.8
Bank of Tokyo	46.5	+1.0	33.1	-28.9	23.1	+2.4

Parent company results, half-year to September

Overseas Trust Bank sees return to profit

BY KEVIN HAMLIN IN HONG KONG

OVERSEAS Trust Bank (OTB), which has been run by the Hong Kong Government since its collapse in June 1985, reduced its net loss to HK$25m (US$3.2m) in the year to June, and forecast a return to profitability this year.

The loss compares with the previous year's HK$266m deficit. Mr David Nendick, Hong Kong's Secretary for Monetary Affairs, who acts as the bank's chairman, said: "We have made substantial progress in the recovering of pre-acquisitien loans and that *has meant that we have been* able to turn non-interest bearing assets into interest-bearing *assets*."

Mr Nendick said the proceeds of the August sale of OTB's 65 per cent stake in Hongkong Industrial and Commercial Bank (HICB) to Dah Sing Bank for HK$532m would also help OTB.

HICB was the first of three banks run by the Government - the other is Hang Lung Bank, which collapsed in 1983 - to be returned to the private sector. Mr Nendick warned yesterday, however, that it was still "a matter of years rather than months" before the sale of OTB would be considered.

Malaysian rights issue prices cut

By Wong Sulong in Kuala Lumpur

THREE MALAYSIAN listed companies have announced a reduction in the prices of their recently announced rights issues in the aftermath of the stock market crash, bringing the aggregate amount to be raised down to 168m ringgit ($67.3m) from an originally planned 221m ringgit.

Roxy Electric Industries, which is controlled by the Lee family of Kuala Lumpur, said its 90.4m share rights would now be at 1 ringgit par instead of 1.3 ringgit.

Pilecone Engineering is revising its 35m share issue from 1 ringgit to 65 cents per share, while Ayer Hitam Tin Dredging's 27.4m share offer will be at 2 ringgit.m instead of 2.5 ringgit per share.

All three companies are being *advised by D and C Nomura Merchant* Bankers.

Shares of Roxy, Pilecon and Ayer Hitam closed at 1.04 ringgit, 1.13 ringgit and 4.6 ringgit respectively yesterday.

Analysts say the underwriters of the rights would have been landed with a large portion of the shares had the issues gone ahead at the original prices.

Paul Betts interviews the chairman of the French telecommunications and engineering group

CGE sets its sights on a leading role in cable TV

COMPAGNIE GENERALE d'Electricite (CGE), the French telecommunications and heavy engineering group, plans to establish itself as a substantial operator of cable television, possibly linking up with other leading companies.

Mr Pierre Suard, chairman, said yesterday that CGE had been holding talks about cable partnerships with both General des Eaux and Lyonnais des Eaux. He said the move into cable television was part of efforts to diversify into new service industries, especially publishing and broadcasting.

CGE's controversial acquisition last summer of Sir James Goldsmith's controlling shareholding in Generale Occidentale (GO) has given CGE an important foothold in the publishing business through GO's control of Presses de la Cite, the large French publishing concern, and the L'Express magazine group.

The FFr1.5bn ($283.2m) purchase of the stake in GO caused a political furore because of the political undertones inevitably attached in France to any manoeuvres involving the media.

Moreover, the acquisition was made only a few weeks after the privatisation of CGE and the French group's recent landmark telecommunication deal with ITT.

However, Mr Suard said yesterday that, through the Presses de la Cite, CGE would be able to develop a strong presence in the publishing and media sector. This had been the main purpose of the GO acquisition.

Indeed, Mr Suard confirmed that CGE intended to shed gradually the other assets controlled by GO, which range from timber holdings to oil interests and supermarkets in the US.

Mr Suard explained: "The tendency is to sell these assets rather than increase them."

He said that the GO deal was a sound long-term transaction. Moreover, CGE had shed a number of assets before the stock market crash, amounting to about two-thirds of the value of the GO transaction.

Mr Suard also suggested that GO would provide CGE with a large cash reservoir at a time when, with the stock market fall, new equity funding was becoming increasingly difficult.

He said that CGE had no ambitions to develop a leading newspaper and television broadcasting empire like that of Mr Robert Hersant, the owner of Le Figaro and one of the chief shareholders of the French Fifth Channel private television network.

Mr Suard emphasised that CGE wanted instead to develop the Presses de la Cite book publishing and distribution business and expand in the cable television sector by producing programmes and operating cable systems with other partners.

Pierre Suard: CGE looking for alliances

Through its Alcatel telecommunications subsidiary, CGE already provides substantial hardware to the cable industry. The group also controls a leading French television rental concern, *Locatel*, and *Mr Suard sees* it expanding in the rental of satellite dish receivers for direct broadcasting satellite transmissions.

CGE's cable television strategy is to find strong partners like General des Eaux which is already heavily committed in cable and broadcasting. The water utility has a principal stake in the Canal Plus pay television network and is also one of the hardcore shareholders of CGE.

The expansion in media services represents CGE's efforts to develop a third principal sector along with its traditional telecommunications and engineering activities.

Mr Suard confirmed that CGE's profits this year would be more than 2.1 per cent of sales totalling FFr130bn - CGE expects to report profits of more than FFr2.7bn this year, an increase of FFr1bn on 1986.

Alcatel, the new telecommunications venture controlled by CGE grouping CGE's telecommunications operations with those of ITT, is expected to report profits of the order of 2 per cent of sales totalling Ecu11bn ($8.94bn). The telecommunications group has opted for the European currency unit to report its results.

Mr Suard said that 11 months *after the creation of the* telecommunications group, Alcatel's international visibility was strong and that the integration of the French and ITT assets was going ahead "in line with our expectations."

In public switching, Alcatel would sell more than 2.5m lines of ITT's System 12 exchange and more than 2m lines of the French E10 switch.

The restructuring of the merged telecommunications assets of CGE and ITT would involve about 20,000 job cuts out of a total workforce of 140,000 people, Mr Suard acknowledged.

He also admitted that Alcatel remained virtually absent from the UK market. He justified CGE's decision not to take up ITT's 20 per cent stake in Standard Telephones and Cables (STC) saying that the French group liked to have "clear management control" of its operations. This, Mr Suard said, would have been impossible with STC.

The decision not to absorb the ITT stake in STC, which has been bought by Northern Telecom of Canada, represented a strategic risk for Alcatel, Mr Suard stressed.

But the CGE chairman added that recent developments suggested the French group had probably taken the right decision. In Australia, Alcatel has just beaten STC on an important FFR400m submarine cable contract in a market which had traditionally been one of STC's preserves.

At Alsthom, CGE's heavy engineering and energy subsidiary, the strategy was to continue the policy of restructuring around the group's core businesses, shedding control of some assets but reinforcing the group's presence in other sectors, Mr Suard explained.

This policy had become all the more important in view of the recent merger between Asea and Brown Boveri Corporation (BBC). "We are clearly not indifferent to the Asea-BBC merger," Mr Suard said.

CGE is also looking for alliances in the consumer electronic sector. As part of the ITT telecommunications deal, CGE took over the US group's television set manufacturing operations in West Germany, involving the production of about 1m sets a year.

"We are relatively small in this sector. And although there is no urgency, we are looking for an alliance to bolster our position," Mr Suard said.

Valeo to buy rival components group

BY PAUL BETTS IN PARIS

VALEO, the French car components group under the control of Mr Carlo De Benedetti, the Italian businessman, is to acquire Neiman, another French car components concern now owned by the Paribas banking group.

The transaction, valued at nearly FFr1bn ($175.4m), will bolster Valeo's position as the second largest European car components group after Robert Bosch of West Germany.

Valeo will acquire Neiman, which specialises in car anti-theft and locking devices as well as lighting equipment and windscreen wipers, with a cash and shares deal which will give Paribas a 8.5 per cent stake in Valeo, making the banking group the second largest shareholder after Mr De Benedetti's French Cerus holding company.

Paribas took control of Neiman in the *late* 1970s when the car components group was in financial difficulty. But the group has since recovered and is expected to report profits of more than FFr100m this year on sales of about FFr2.3bn.

Before selling the company to Valeo, Paribas had planned to float 10 per cent of Neiman's capital on the Paris second market.

The acquisition will lift Valeo's turnover to nearly FFr15bn. Since Mr De Benedetti took management control of Valeo last year, the group has accelerated its restructuring, designed to recentre it around its core car components businesses while shedding other non-strategic assets.

The deal comes at a time of increasing concentrations and alliances in the European car components industry.

Fiat has been active in building up its presence in car components through recent deals with Matra of France and Lucas of the UK.

Scancem to take Congo factory stake

BY KAREN FOSSLI IN OSLO

SCANCEM, the international cement company jointly owned by Norway's Aker Norcem and Sweden's Euroc, has agreed to purchase a 50 per cent interest in a state-owned cement factory in the Congo.

Scancem said the deal would cost the company NKr20m ($3.1m). The Congolese cement company, to be called Socico, has an annual production capacity of 300,000 tonnes a year which is more than sufficient to supply the country's current cement consumption.

The factory was expanded and upgraded two years ago but, following the rebuilding, it experienced a number of technical and financial problems.

The Congo Government sought to acquire a European partner which could assume responsibility for the factory's operation while fulfilling requirements for the Government's privatisation programme.

Scancem, which claims 10 per cent of the US cement market and 100 per cent of the Scandinavian market, has operations in the Middle East, Jamaica and West Africa. In 1986, it had a turnover of NKr2bn and a slight increase is forecast for 1987.

Weakness of dollar hits KHD's profit forecast

BY OUR FINANCIAL STAFF

KLOECKNER-Humboldt-Deutz (KHD), the West German engineering and agricultural machinery group, said yesterday that it would fall short of a forecast break-even this year.

The group said it had been hit hard by the weakness of the dollar and as a result would stay in *the red for 1987.*

KHD planned to present a restructuring programme in the next two to three weeks which could enable the group to return to a "positive phase." No details were given.

The group declined to give a figure for the expected 1987 loss. It made an operating loss of DM163m in 1986.

Turnover in the first six months of this year fell to DM2.1bn ($1.25bn) from DM2.3bn in the same period in 1986.

The company, which cut its 1986 dividend to DM4.50 a share from DM9 the previous year, announced last month that it would reduce employees' 1987 Christmas bonuses this year by about 25 per cent.

BSN expands in Spain

BSN, THE French foods and brewing group, has raised its shareholding in Danone, the Spanish dairy company, from 5 per cent to 20 per cent through a capital increase by the Spanish company, **Our Financial Staff writes.**

The French group gave no details of the amount of cash it is putting into Danone, which is Spain's leading dairy products group with a turnover of Pta45bn ($397m).

BSN has recently been pushing hard into Spain, buying two food companies - Ardilla and Siro. The former makes pasta

Put option floater from Imasco

BY STEPHEN FIDLER, EUROMARKETS CORRESPONDENT

IMASCO, the Canadian consumer products and services company, is arranging a $200m floating-rate note facility backed up by a commitment from banks to buy back the paper.

The structure of the deal, being arranged by Morgan Guaranty, represents a sign of the uncertain times in the international capital markets. It is a compromise between the securitised transactions that have become the vogue in the 1980s and a more traditional type of banking transaction of the sort that many bankers think will become more common.

With equity markets effectively closed to new issues over the last month and fixed-rate bond markets outside the US extremely uncertain, companies have been turning increasingly to banks to provide finance.

Investors have been cautious, too, about buying floating-rate notes. Many have been concerned about their ability to buy and sell the instruments easily, following the crisis of confidence which spread from perpetual floating-rate notes into the dated sector of the market earlier this year.

The key to the Imasco arrangement - a "put" option arrangement between the note investor and a group of underwriting banks - should help to reduce investors' concern about their ability to sell the paper. The arrangement allows investors to put the notes back to the banks on every interest payment date, effectively giving investors a short-term instrument.

The facility has an eight-year maturity and allows the company to issue five-year floating-rate notes during the first three years. The notes will be offered to investors through Morgan Guaranty and any other institution that wishes to join it as a co-dealer.

The facility fee paid to the underwriting banks is an annual 10 basis points and the underwriting price is 15 basis points over Libor if less than half used, with a margin of 20 basis points if more than half used.

● Credit Suisse First Boston is arranging a $100m revolving credit for **Pennsylvania Coal Resources**, a subsidiary of the Pennsylvania Power and Light Company, which is guaranteeing the facility.

The financing, with a 10 basis point commitment fee, carries a margin of 25 basis points and a utilisatioon fee of 5 basis points if more than half used.

Kuwait in KD120m Treasury bill offer

KUWAIT WILL begin its first public debt offering on November 25 with a Treasury bill issue totalling KD120m ($430m), **AP-DJ reports from Kuwait.**

According to a central bank announcement, the Treasury bill offering, part of the Kuwaiti Government's move in September to authorise KD1.4bn in total public debt financing over 10 years, will be followed on December 2 with KD80m in one to seven-year Treasury bonds.

The three-month Treasury bills, which will be issued in denominations of KD50,000, KD250,000 and KD500,000, will mature on February 24, the central bank said. Interest rates will be determined by the market.

The bills will also replace central bank bills which have been issued to Kuwait's commercial banks and financial institutions for one to three-month periods for the past year.

The government bonds, in denominations of KD1,000, KD10,000, KD50,000, KD200,000 and KD500,000 fall into three categories: one-year, totalling KD20m at 6 per cent annual interest, maturing on December 3, 1988; five-year, totalling KD55m at 7 per cent annual interest, maturing on December 2, 1992; and seven-year, totalling KD5m at a rate of 7 per cent, maturing December 3, 1994.

The central bank, which is supervising the Treasury issues on behalf of the Kuwait Finance Ministry, said the bills and bonds may be subscribed to by domestic banks and investment companies subject to the central bank's supervision. Other corporate and individual investors in and outside Kuwait can only buy the bills and bonds through the authorised subscribers.

Sheik Salem Abdel Aziz al-Sabah, the central bank governor, said last week that the government had decided to issue public debt as a "sophisticated" action to offset a record deficit of KD1.37m this year without dipping into Kuwait's capital reserves.

The National Bank of Kuwait, the nation's largest commercial bank, recently estimated the Government's capital reserves at about $90bn.

The central bank governor has deflected some concerns within the Kuwait banking community that the public debt offering would severely reduce liquidity within the local market. The drop in liquidity, some commercial bankers have said, would reduce the deposit base for local banks.

Revival in market for Hong Kong CDs

THE PLUNGE in world stock prices and a drop in interest rates have revived the market for fixed-rate certificates of deposit (CDs), **Reuter reports from Hong Kong.**

Two issues for a combined HK$200m were arranged last week and others are on the way.

Mr Jeffrey Marcks, executive director of Manufacturers Hanover Asia, said: "The instability of other markets, particularly stocks, coupled with the perception that interest rates may fall, has stimulated demand for fixed-rate paper."

Last week CEF Capital arranged a HK$100m fixed-rate CD issue for Canadian Imperial Bank of Commerce. Along with Mitsui Finance (HK), CEF placed a HK$100m issue for Mitsui Bank earlier the same week. The fixed-rate CD market produced more than 20 issues worth HK$2.4bn in the first two months of this year and 84 issues totalling HK$11.73bn in 1986.

But in early March, the market collapsed due to oversupply and fears of an upturn in interest rates. Between March and the latest round of CD issues there were only two placements for a total of HK$300m.

Bankers are still cautious about the upturn in the market, particularly after the market collapse left merchant banks that underwrote issues with a huge pile of paper on their books.

● Meanwhile, the Securities Review Committee, recently set up to undertake a wide-ranging examination of Hong Kong's troubled equities industry, said yesterday that it would make proposals that should serve as a blueprint for future development, **Kevin Hamlin adds.**

Mr Ian Hay Davison, chairman of the committee, and former chief executive of the Lloyd's of London insurance market, said that it was arguable that reforms to the securities industry in Hong Kong were overdue, but countered that "the world of regulation is loud with the noise of slamming stable doors." Events of recent weeks provide the opportunity to introduce reforms "while everybody is of a mind to accept change," he said.

The committee was set up following the government-led HK$4bn rescue of the Hong Kong Futures Exchange and the four-day closure of the local stock and futures exchanges following the collapse in world equity values last month.

One of its most difficult tasks will be to suggest reforms which satisfy both local stockbroking firms, which dominate the administration of the stock exchange, and the international stockbroking community. In spite of the fact that foreign brokers account for the bulk of stock trading, they have had no say in the running of the stock exchange.

The committee's report should be published within six months and yesterday it formally requested submissions from interested parties and the public. Mr Davison said requests for confidentiality would be respected and that this would encourage parties to "put down their views as strongly and as vigorously as they wish."

He emphasised that the committee is forward looking and would not allocate blame or find fault for past events. He indicated, however, that if instances of wrongdoing came to light from submissions, these would be made available to the territory's legal department.

The committee is making arrangements with the stock and futures exchanges of London, New York and Chicago, as well as their regulatory bodies, to obtain information about their systems. "It's a question of drawing upon the best experience in leading markets," Mr Davison said.

"No doubt the report will call for legislation, for regulation, for changes in the way things are done. I hope the report will point a way as to how this is to be carried out," Mr Davison commented.

The Government has not made a specific undertaking to implement the committee's proposals, but Mr Davison said: "If the weight of the argument is right, then action will be taken."

Helsinki may delay options exchanges

By Olli Virtanen in Helsinki

FINLAND may keep its two new options exchanges under wraps until a new law on the securities markets comes into effect, possibly next summer.

Demanding the halt, Mr Matti Louekoski, the Justice Minister, referred to "significant risks to the society," and pointed to the example of Sweden, where several leading banks have recently incurred massive losses in options trading. Mr Louekoski's call for a delay follows a proposal from a Justice Ministry committee for a revision of legislation governing the securities markets.

Helsinki has yet to experience a serious stock market scandal, but a number of recent takeovers, targeted share issues, and cases of price manipulation have prompted serious questions about how well the stock exchange can cope under the present system of self-regulation.

The rush to establish two competing options exchanges earlier this autumn also raised eyebrows. Both planned to commence operations next spring.

Under the ministry's proposal, all dealers and brokers will have to apply to the Government for an operating licence. They will also have to report all trades concerning their own portfolios and letters of intent, both within and outside of the Helsinki Stock Exchange. Short selling is prohibited.

Insiders - who include not only company directors, executives and auditors but may also involve journalists, union leaders and consultants - must not sell shares of the company concerned within six months of making a purchase.

Listed companies will have to submit details of all significant developments concerning share issues, acquisitions, and increases in their holdings of other listed companies.

A public announcement will be required whenever a holding tops one-tenth, one-fifth, one-third, one-half and two-thirds of the target company's share capital. When a holding increases to over two-thirds of the share capital, the buyer will have to make an offer to the minority shareholders "at the rate of the day."

A targeted share issue would require a 75 per cent majority of votes at a shareholders' meeting, instead of the current two-thirds majority. A company board would not be allowed to target a share issue to its members or close associates.

The ministry's proposal would extend regulatory authority to practically all securities trading in Finland, including shares, bonds, options and futures. It would be policed by Finland's Bank Inspectorate - which says it needs to double the current staff to manage the new tasks.

The committee has designed the draft law to fit in with the rules and regulations adopted by the European Community in order to "retain the confidence of foreign investors in the Finnish securities markets."

Argentine bank in FRN issue

By Our Euromarkets Staff

BANCO de la Nacion Argentina is raising $195m through a floating-rate note issue and using the proceeds to replace two floating-rate certificate of deposit issues which have been rolled over since they became due last June.

IBJ International is lead-managing the issue, with a co-management group of Japanese banks. The bond is targeted at specific investors.

The par-priced FRN pays ¾ percentage points over six-month London interbank offered rate (Libor), except for the initial interest period ending in April next year, when it will pay the same margin over the average offered rate during that period. It will be redeemed in instalments between 1994 and 1997 and is callable on any interest payment date. There is a 12½ basis point management and underwriting fee.

The state-owned bank is financed independently, but the FRCDs, originally issued in 1980, were refinanced in 1985 within the scope of Argentina's restructuring negotiations. Their interest rate margin over Libor was then upped from ¼ point to 1¾ points.

Banca de la Nacion Argentina's last FRN, for $35m, was issued seven years ago and matured last month.

Budget package fails to bolster dollar sector

BY CLARE PEARSON

THE WEEKEND deal in Washington to reduce the US budget deficit by $76bn over the next two years failed to bolster the Eurodollar bond sector yesterday, though bonds in other currencies posted further gains in the face of the dollar's weakness.

Eurodollar bond dealers said there was now a clear threat that their sector would come under selling pressure because of disillusion with the budget package. However, selling had not emerged yesterday and the market traded thinly in a very narrow range.

The D-Mark bond market took heart from the easier dollar and prices of both domestic and Euro D-Mark bonds rose by about 30 basis points. However, dealers said the market was not as active as it had been last week and some felt bonds were becoming expensive.

The Bundesbank is expected to set a lower rate on its next repurchase agreement, if it announces the terms today. The last rate was set at 3.50 per cent.

Deutsche Bank led a DM200m 6 per cent seven-year bond for the **Asian Development Bank**, which was bid comfortably within its 2 per cent fees at 99¾, which is 1 point lower than its issue price.

Dealers thought the bond was benefitting from a shortage of primary market paper and noted that a recent seven-year 6 per cent issue for **BFCE** seemed to have sold out. However, a 17-year 6¼ per cent bond for **Ireland** was trading at around less 2¼ bid, just inside its total fees.

Trinkhaus & Burkardt is expected to launch today a DM250m floating-rate note issue for the **Council of Europe**, convertible into a fixed-rate issue in January and July 1990, and January 1991. This is the second convertible FRN issued by the Council of Europe, following a similar issue in September.

The eight-year par-priced FRN will pay interest at the six-month London interbank offered rate and will convert into an eight-year 6¼ issue at 100¾. The FRN is callable from 1993 at par.

Prices of Ecu bonds opened higher in sympathy with the West German market. They weakened later but still closed around ½ point up.

Credit Lyonnais led an Ecu100m bond for **IMI Bank**, which borrowed floating-rate funds in the yen sector last week. The 8 per cent issue, maturing in January 1991, was priced at 101⅝. The lead-manager quoted it at less 1⅛ bid, the level of its total fees.

Euroyen bonds were also stronger with price rises mixed but averaging around ⅜ points. However, dealers said there was

INTERNATIONAL BONDS

some concern that the market's recent rally might have been overdone and yesterday's gains were driven entirely by professional activity.

An innovative new issue emerged in the Eurolire market - the first floating-rate note, with the **European Investment Bank** as the borrower.

Istituto Bancario San Paulo di Torino led the L150bn eight-year par-priced bond, which pays ⅛ point over six-month London interbank offered rate (Libor) but is subject to a ceiling to protect the borrower.

If the rate is 25 basis points greater than the arithmetic mean of six-month Italian Treasury bills and the domestic interbank offered rate for six-month lire, plus 1 per cent, then the coupon will be equivalent to that arithmetic mean plus 1 per cent.

The issue, which is callable at par after the first year, was quoted at less 60 bid yesterday, against 75 basis points fees.

In Switzerland, prices closed a touch firmer. Today two new issues for **Oesterreichische Kontrollbank** and the **World Bank** are expected to trade for the first time.

Union Bank of Switzerland led a SFr150m bond for **Electricite de France** which dealers described as a "good deal and a good name."

The SFr150m seven-year 4¾ per cent bond, priced at 101, was quoted at less 1 bid in the grey market. It is callable from 1991 at declining premiums.

County NatWest drops Japanese convertibles

COUNTY NATWEST Securities said yesterday it was ceasing making markets in Japanese convertible bonds which had become increasingly illiquid since the stock market crash last month.

The announcement follows Nomura International's move last Friday to cut the Japanese convertibles in which it quotes two-way prices from 28 to 20.

The measures reflect the dwindling attractions of Japanese convertibles in the aftermath of the stock market fall. Unlike convertibles in other sectors, these bear very low coupons and so provide little capital protection.

Mr Stephen Raven, a deputy managing director of County NatWest Securities, said the bonds had attracted no retail interest since the crash.

Dealers said the market had become illiquid even before the crash since most of the issues had been converted into the underlying shares while the Tokyo stock market was rallying strongly, leaving little paper left to trade.

Mr Raven said County NatWest would continue to make markets in Japanese equity warrants, an activity it set up in September with a team previously employed by Nikko, the Japanese securities house. County's two convertible dealers would be redeployed.

Nomura said the eight issues it had abandoned were all seasoned issues which had traded up to very high prices, reflecting the gains in the underlying shares before the recent market fall.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 23

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	93	93½	+0⅛	+0⅜	9.49
All Nippon Air 9⅞ 97	100	94	94½	0	+0⅜	10.33
American Brands 8⅞ 92	150	97⅞	98⅛	+0⅛	+0⅜	9.43
A/S Eksportfinans 7⅝ 93	100	92	92½	0	+0⅜	9.35
A/S Eksportfinans 7¼ 92	150	93⅜	94⅛	+0¼	+0⅜	8.99
Belgium 9⅛ 92	400	99⅝	100⅛	0	+0¼	9.11
British Telecom 7⅝ 96	250	87⅛	87⅝	+0⅛	+0½	9.82
British Telecom 8⅞ 94	150	97¼	97¾	+0¼	+0⅜	9.38
Canada 9 96	1000	97⅞	98⅜	0	+0⅜	9.32
Canadian Pac 10⅜ 93	100	102¼	103¼	+0⅛	+0⅜	10.02
C.C.C.E 7⅛ 91	113	94	94⅜	0	+0¼	8.96
C.N.C.A 7¼ 91	150	93½	94	+0⅛	+0⅜	9.15
Coca-Cola Ent. 8¼ 90	100	†98⅜	98⅞	−0⅛	0	8.93
Credit Lyonnais 9 91	200	99⅝	100⅛	0	+0⅜	8.97
Credit National 7¾ 92	100	94⅜	94⅞	+0¼	+0¼	8.95
Credit National 7¼ 91	150	94⅛	94⅝	+0⅛	+0⅛	8.88
Denmark 7⅞ 92	500	92¼	92⅞	0	+0¼	9.35
Denmark 8¼ 91	300	97⅝	98⅛	0	+0¼	8.93
E.E.C 7 91	100	94¼	94⅞	+0¼	+0⅜	8.67
E.E.C. 7¼ 93	250	92¼	92¾	+0⅛	+0⅜	9.08
E.E.C 8¼ 96	100	92½	93	+0⅛	+0½	9.51
E.I.B. 7⅝ 93	100	92⅞	93¼	+0⅛	+0⅜	9.18
E.I.B. 9⅞ 97	150	98¼	98¾	+0⅛	+0⅜	9.61
Finland 7⅞ 97	200	88½	89	+0⅛	+0⅜	9.78
Finland 7½ 93	200	92⅜	92⅞	+0⅛	+0⅜	9.24
Ford Motor Cred 11⅜ 90	100	105⅜	105⅞	0	+0⅜	8.46
Gen Elec Credit 10¼ 00	200	102¼	102½	+0⅛	+0⅜	9.91
G.M.A.C. 8 89	250	98⅞	99⅜	+0¼	+0¼	8.52
G.M.A.C. 8¼ 89	200	99½	100	+0¼	+0⅜	8.37
Hoesch 8¼ 97	100	†88½	89	+0⅛	+1	10.16
Hoesch 7⅝ 92	100	†95¼	95¾	+0¼	+0¼	8.64
Hoesch 7⅞ 94	300	†90½	91	+0¼	+0⅜	9.89
Liberty Mutual 8½ 96	150	91⅞	92⅜	+0¼	+0¼	9.88
L.T.C.B of Japan 8 91	100	96⅛	96⅝	+0⅛	+0⅜	9.09
L.T.C.B of Japan 8 97	200	86⅞	87⅜	0	+0⅜	10.22
Merch-Benz Cred 8¼ 92	300	96⅝	97⅛	0	+0⅜	8.60
Mitsubishi fin. 7⅞ 93	100	90⅝	91⅛	0	+0¼	9.94
Mutual America 7⅞ 92	100	†93⅜	94¼	+0⅛	+0⅛	9.44
Norway 7¼ 91	500	94⅞	95¼	0	+0⅛	8.86
Pepsico Inc 7⅞ 93	200	91⅞	92⅜	0	+0⅜	9.29
Prudential Crp. 8⅞ 94	125	96	96½	+0¼	+0⅜	9.52
Qantas Airways 10⅜ 95	140	102⅞	103¼	+0¼	+0⅜	9.78
Rep. of Italy 9 90	1000	101⅛	101⅝	+0⅛	+0¼	8.42
Saab Scania 9½ 91	125	100⅞	101⅜	+0⅛	+0⅜	9.05
Saskatchewan 10⅜ 92	100	105⅜	105⅞	0	+0⅜	9.08
State Bk S Aust 9¼ 93	100	98⅝	99	+0⅛	+1	9.58
Swedish Expt.Crd.7¼ 91	100	94⅛	94⅝	−0⅛	0	8.96

UK COMPANY NEWS

Strong UK side behind advance at BET to £92m

BY CLAY HARRIS

BET, the international services group, yesterday reported a 56 per cent increase in interim pre-tax profits to £92.1m, compared with £59.1m on turnover ahead by 38 per cent to £1.03bn (£748m).

The pre-tax result, covering the six months to September 26, was at the lower end of City expectations and BET shares fell 8p to close at 216p.

BET emphasised that internal growth was responsible for 53 per cent of the advance in profits, although acquisitions (including HAT) particularly aided the construction services side, which showed the largest rise in operating profits.

Cleaning and waste disposal provided the growth in Initial, the industrial services subsidiary, helping to offset an almost stagnant overall result from textile rental because of discontinuing a low-margin British Coal workwear contract and reduced profits from the US and Australia.

Transport activities were restrained by exchange rate losses and a decline in passenger operations. The cost of expansion at Rediffusion Simulation adversely affected electronics and leisure results.

The greatest growth was achieved in the UK which accounted for operating profit of £77.5m (£44.9m), nearly three-quarters of the total. Currency translation reduced profit by about £1m, especially hitting the North American contribution, which fell to £9.4m (£11m).

Investment income fell to £500,000 (£1.5m), and net interest payable declined to £14.4m (£14.8m). Gearing fell to about 50 per cent from 63 per cent at March 31.

With earnings per share 30 per cent higher at 10p (7.7p adjusted for a scrip issue), the interim dividend is increased by 20 per cent to 3p (2.5p).

Sir Hugh Dundas, chairman, said: "If there is a downturn in the world economy, as some predict, our high yield and our increasing emphasis on recurring revenues makes us almost the classic defensive stock, with a formidable capability to generate cash when others are short of it."

See Lex

BET FIRST-HALF TURNOVER AND OPERATING PROFIT BY DIVISION

	Turnover (£m)	% change	Operating profit (£m)	% change
Construction services	376.8	+109.7	40.0	+133.9
Industrial services	248.1	+29.6	31.5	+16.2
Transport	199.1	+11.3	15.6	+1.3
Electronics/leisure	138.7	+14.5	10.2	+4.1
Publishing	69.3	-4.5	7.6	+13.4
Corporate	1.9	-55.8	1.1	NA
Total	1033.9	+38.2	106.0	+46.4

Protected rights for health club investors

By Philip Coggan

AN ingenious solution has been found to protect the rights of Business Expansion Scheme investors in Miss World Clubs, the health club chain, for which Theme Holdings, the Third Market restaurateur, launched a takeover bid yesterday.

Miss World Clubs is managed, under a five year agreement, by Miss World, the USM-quoted leisure group, famous for the eponymous beauty contest. However, if the bid goes through, the clubs will lose the right to use the Miss World name.

Under BES rules, no company can become a subsidiary of another for three years after the first investment is made. As a result, investors in the health club company, which raised BES funds in November 1985, will lose the tax relief on their investments if the deal goes through.

The Theme offer is two of its shares for every 11 founders shares - valuing each Miss World Clubs share at 8p, on the basis of last night's closing Theme share price of 45p. Since the BES shares were originally issued at 13p, that means that investors will lose money in real terms as well as their tax relief.

However, commercial logic seems to indicate that the deal should go through. The only club operating at the moment is at Heathrow and although that is now profitable, the company lost £284,000 in the year to March 31 1987.

The Industrial Finance and Investment Corporation and Guidehouse Group, the joint sponsors of Miss World Clubs, have devised a plan to protect the interests of BES investors. An extraordinary meeting will be held before Christmas and, under its rules, unless the majority of BES investors vote in favour of the takeover, it will not proceed. Thus BES investors, who are in a minority, have a veto over the bid.

The Ifico/Guidehouse plan looks likely to provide a model for other cases where a BES takeover is planned

Buoyant EMAP surges to £8.5m midway

BY FIONA THOMPSON

EMAP, the newspaper, magazine and exhibition group, yesterday reported a 51 per cent boost in profits for the half year to October 3, 1987. Pre-tax profits advanced from £5.6m to £8.45m and earnings per share increased by 24 per cent from 3.3p to 4.1p.

Mr Robin Miller, group chief executive, said a significant increase in advertising volumes and revenue, and in circulation, had led to considerably improved profits, especially in the newspaper division. EMAP has 81 titles - 41 paid-fors and 40 free newspapers - in three main areas, Senews in the south east coast region, Courier Press in the South Midlands and its original titles in the East Anglia/East Midlands region. Advertising volume rose 12 per cent

In both the consumer magazine and business magazine divisions, advertising volume increased by 3 per cent and revenue by 12 per cent. The company has 39 consumer magazines, its fortnightly magazine for teenagers, Smash Hits, the biggest seller at 520,000. Bird Watching, Country Walking and Today's Runner are all market leaders. Two new launches are planned for next spring - Today's Golfer and More, a magazine aimed at 18 to 30 year old single women with a lot of disposable income.

The 48 business magazines have a controlled or subscription circulation. They include wide circulation computer magazines such as Which Computer? and PC User, and niche-orientated publications like British Baker, read by 8,000 master bakers, and Materials Reclamation Weekly for 12,000 scrap metal market readers.

EMAP's fourth division, exhibitions, is expected to show the bulk of its profits contribution in the second half. Both Trade Promotion Services and Financial Investment Events, the two exhibition companies acquired by EMAP earlier this year, hold their major events in the company's second half - TPS's autumn and spring international giftware shows, and FIE's London Money Show at Olympia every October. High-tech exhibitions, often tying in with EMAP's business magazines, are also a growth area.

Turnover rose by 53 per cent to £84.9m, against £55.57m. Last year's interest receivable of £505,000 was replaced by interest payable of £94,000, due to bank funds being spent on acquisitions. The tax charge advanced to £3.04m from £2.02m. An extraordinary debit of £82,000 (£497,000) included £304,000 business closures costs less £222,000 profit on disposal of holdings in Reuters and Central Television.

An interim dividend of 1.10p (0.87p) was declared.

● comment

One of EMAP's strengths is that it is a fast-growing company which has allowed its individual businesses to maintain their autonomy. Separate profit areas satisfies the creative needs of the people involved and gives the company flexibility to, for example, moderate price increases if it wants to increase market penetration or boost them if its position is strong. The company has healthy long term growth prospects, strict financial targets and a good formula for newspapers and magazines. Of the £3.1m increase in profits, £1.9m was organic growth and £1.2m due to acquisitions, primarily the Senews and Courier newspaper groups. Exhibitions earnings will considerably boost second half profits from acquisitions. With no gearing, further purchases are very much on the cards, though the company will probably maintain its no overseas exposure position. The shares closed 1p up last night at 162p. Assuming pre-tax profits for the full year of £22m, that puts them on a fair prospective p/e of 15.

Fairbriar up to £2.3m midway

BY DAVID WALLER

Fairbriar, the Surrey-based property developer, yesterday announced a 55 per cent increase in pre-tax profits for the six months to the end of September. Taxable profits advanced by £0.8m to £2.3m, in line with market expectations.

The interim dividend was increased by 20 per cent to 1.8p per share; fully diluted earnings per share advanced by 56 per cent to 7.96p. Turnover was 14 per cent ahead to £6.9m.

The figures were arrived at after merger accounting the profits contribution from Ryan of Wimbourne, the residential property company bought in April for £4.5m in shares.

Mr Remo Dipre, Fairbriar's chairman, said that but for this method of accounting for the acquisition, turnover would have increased by 25 per cent, and pre-tax margins would have been at a higher level.

Profits setback sees Carroll below £8m

Carroll Industries, the Dublin-based cigarette and tobacco manufacturer, yesterday reported lower profits for the 12 months to end-September.

After an exceptional provision of I£4m (£540,000) relating to rationalisation costs against declining markets, the pre-tax figure came out at £7.73m, down from £13.08m last time. In June's interim statement, the directors stated that they expected the full-year outturn, excluding the exceptional charge, to be in line with 1986 profits.

Total group sales amounted to £280.8m (£285.4m). After tax of £639,000 (£2.25m), earnings per shares fell by a third from 15p to 10p. A final dividend of 5p (4.7p) is proposed, making 7.8p (7.5p) for the year.

AJS forced to reduce its Drayton Japan stake

BY NIKKI TAIT

CONFUSION over the voting rights attaching to the different share classes in **Drayton Japan Trust** - one of the investment trusts managed by MIM - has resulted in a forced reduction in the stake built up by New Jersey-based investor, AJS Partners.

Last Thursday, it was announced that AJS - which had already amassed around 7 per cent of the equity - had lifted its holding through further purchases to 3.86m ordinary shares and 347,742 cumulative preference stock. This was declared to be approximately 16.5 per cent of the voting rights - but in fact, owing to a misunderstanding over the voting rights belonging to the ordinary and preference shares, was slightly over 22 per cent.

Accordingly, the latest stake-building was in breach of the Takeover Panel's rules on permitted share purchases, and AJS Partners has reduced its interest to 3.85m ordinary and 395,653 preference - 15.85 per cent of the votes.

Yesterday, Kleinwort Benson - which is advising AJS - said that the US investor was still "considering its options" over future action. MIM itself has recently raised its interest in the trust to just under 10 per cent; the Kuwait Investment Office, which previously held a disclosable interest, has sold out completely.

The trust was valued at around £220m at end-October, and - like many Japanese trusts - has been standing on a discount to assets of 30 per cent-plus.

Near 20% of TR Pacific go for trust option

By Nikki Tait

Holders of a little less than one-fifth of the shares in the old **TR Pacific Basin Investment Trust** have opted to switch into the new smaller Far Eastern markets trust.

The formation of the new trust, called TR Pacific Investment Trust, follows a reconstruction scheme for the old fund. This gave shareholders the choice of switching into the new smaller Far Eastern markets fund or into an open-ended, multi-class investment company based in Guernsey.

The level of acceptances for the new investment trust option means that it will start life with funds of £29m, and that 67m shares will be issued, Net asset value, therefore, starts at 43p a share. Dealings are due to begin on Thursday.

●**Standard Life**, the Scottish institution which previously held a 6 per cent interest in TR Technology Investment Trust, yesterday announced that it has now sold its entire stake. Touche Remnant has already said that it is considering a possible reconstruction scheme for the £320m technology trust, following pressure from Firmandale Investments, a Jersey-based company advised by Berkely Govett. Firmandale announced last week that it had raised its stake in TR Technology to 24.75 per cent.

Southend rights taken by 44%

Southend Stadium has announced that 17,559,713, or 44.03 per cent of the 5.5% convertible preference rights issue has been taken up. Of these, 17,394,391 were taken up by Shop Constructions, a company of which Mr Malcolm Dagul, chairman of Southend is the managing director.

As no premium could be obtained, none of the shares have been sold in the market. The balance of 22,316,478 were taken up by the underwriters.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding div	Total for year	Total last year
BET	int	3†		2.5*	-	9*
Carroll Inds.♣	fin	5		4.7	7.8	7.5
C'lain Phipps	int	1.4†	Jan 4	1.2	-	4.75
Diploma	fin	4.5	Jan 7	4	6	5.25
EMAP	int	1.1†	Jan 7	0.76*	-	2.89*
Fairbriar	int	1.8	Feb 9	1.5	-	4.8
Marshall Halifax	int	2†	Apr 6	1.75	-	6.25
Parkland Textile	int	1.8	Jan 15	1.6	-	5
Property Partner	int	1.75	Jan 6	1.5	-	4*
Rexmore	int	0.55	Jan 27	0.44	-	1.2
Sekers Intl.	int	1	Jan 29	0.9	-	2.65

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. Unquoted stock. Third market. ♣ Irish pence throughout.

Norex makes £2.6m acquisition

BY NICK BUNKER

Norex, shipping company previously known as Common Brothers, plans to make a further addition to its growing insurance broking operations by buying Campton (City), a small privately-owned non-Lloyd's insurance broker.

News of the deal yesterday came less than three months after Norex announced in early August that it was acquiring two Lloyd's brokers, Harrison Horncastle Holdings and Gault Armstrong Kemble.

Norex said negotiations were now at an advanced stage for the purchase of Campton, which specialises in excess-of-loss non-marine reinsurance. The consideration will consist of 8.95m new shares in Norex, plus £250,000 cash (equivalent to £2.58m). Norex's shares gained 3p

Campton made pre-tax profits of £179,000 in the year to March 31. Norex changed its name from Common Brothers in August, at the same as it launched a £2.8m rights issue.

SAS stalls on BCal offer pending OFT assurances

BY CLAY HARRIS

Scandinavian Airlines Systems is unlikely to proceed with a partial offer for British Caledonian Group unless it is assured in advance of clearance by the Office of Fair Trading.

Discussions on price between the Scandinavian airline and BCal, which also faces a full bid from British Airways, are now taking a back seat to the question of UK Government approval.

BA, meanwhile, plans to publish its official offer document for BCal later this week. It has indicated that it will seek a Monopolies Commission reference of any non-UK stake in BCal.

The OFT has contacted other UK airlines to solicit their opinion about SAS taking a large minority stake. BCal and SAS will also want to ensure that the Civil Aviation Authority would continue to consider the former a UK airline.

Mr Jan Carlzen, SAS president and chief executive, has come to London with other senior management officials. In addition to discussions with BCal, he is also directly sounding out OFT opinion.

SAS approached the OFT some time ago for a confidential opinion, although the airline's official statement last week that it would consider taking an equity stake has put the inquiry on a more formal footing.

Although there is a formal 25 per cent limit on foreign ownership in UK airlines, exceptions have been made for Britannia Airways, owned by Canadian-based International Thomson, and Swiss-controlled Monarch.

Moreover, New Zealand-based Omnicorp Investments has options which under certain circumstances could eventually give it a 49 per cent stake in International Leisure Group, owner of Air Europe, another possible bidder for BCal.

●**British Island Airways** applied yesterday for the Gatwick-Nice route licence now operated by BCal, which BA has offered to relinquish as a condition of its takeover. BIA had already applied for four domestic routes also covered by the BA promise. BA has said it would re-apply for all such routes.

US company takes 29.5% stake in Anchor Chemicals

BY NIKKI TAIT

Shares in **Anchor Chemicals**, the Manchester-based manufacturer and distributor of speciality chemicals, soared 150p yesterday to 575p on news that **Air Products and Chemicals** has snapped up a 29.5 per cent stake and is looking to make a full bid.

News that Air Products - a large quoted Pennsylvania-based industrial gases group, whose UK interests employ some 2,000 people - had acquired the interest in Anchor from another long-standing US shareholder, Leski Holdings, bought immediate criticism from Anchor. It was, said the company, "a complete and unwelcome surprise" and the timing of the Air Products approach was "particularly unwelcome and opportunistic."

Nevertheless advisors on both sides - N. M. Rothchild for Anchor and Hambros for Air Products - were in contact during the day, and the two companies theselves expect to meet later this week. Rothschilds last night added that Anchor had received a number of other approaches, though declined to give any further details beyond saying that other UK companies were involved.

The Air Products stake changed hands at 560.8p a share - a substantial premium to Anchor's recent market price and ahead of its 520p high for 1987. The holding has its origins in a close relationship between Anchor and a US company, Sartomer Industries, for which the British group orginally acted as a distributor and with whom it later formed a joint company, to manufacture and sell monomers in the UK and Europe. In the late 1970s, Sartomer subscribed for new shares in Anchor and its chief executive, Mr Henry Justi, joined the board.

The Sartomer interest, which subsequently transfered to Mr Justi's Leksi company, was then slowly built up over subseqent years. Yesterday, Anchor said that Mr Justi had previously given assurances that the Leski interest would not be sold without prior consultation with the board, and that it had not yet received his resignation.

Air Products, meanwhile, maintains that there is synergy between Anchor and its own interests - particularly in the supply of epoxy curing agents, used in resins, solvents, and the like. The company has a market capitalision of around $2bn.

Anchor has seen somewhat erratic profits over the past three years but recently reported a 74 per cent advance in the half year to end-June at £1.17m pre-tax. At the current market price the company is capitalised at just over £23m.

Coats to up holding in Canadian offshoot

By Alice Rawsthorn

Coats Viyella, the UK's largest textile company, yesterday announced an C$18m (£7.7m) offer to increase its holding in Consoltex Canada, a Canadian fabric and garment concern.

Coats already holds a 54.6 per cent stake in Consoltex. Carrington Viyella, one of the British textile groups acquired by Vantona - the catalyst for the formation of Coats Viyella - first acquired a holding in the Canadian company several years ago and the investment has since been increased.

When the acquisition is completed Coats will be the beneficial owner of 80.5 per cent of the business. Consoltex will, however, continue to be a publicly quoted company.

Coats is offering C$24 a share for the 750,000 shares which it plans to purchase. The offer has been made through Wood Gundy, the Canadian finance house.

Following the merger 18 months ago between Coats Patons and Vantona Viyella, Coats Viyella has become one of the largest textile groups in the world.

THF deal

Trusthouse Forte, Britain's largest hotels group, yesterday boosted its airline catering interests with the purchase of aPortuguese company, Mourao Don Costa Campos. The company is based principally in Lisbon, but also has a base at Faro. No purchase price is being disclosed.

David Waller on Robert Maxwell's 15% interest in De La Rue

Overtures strike the wrong note

FIVE WEEKS ago, on Black Monday, arbitrage suddenly went out of fashion - for all but the brave.

Ever a contrarian, Mr Robert Maxwell took advantage of the precipitate fall in share prices to accumulate a 15 per cent stake in **De La Rue**, the world's largest printer of banknotes and maker of sophisticated printing machinery.

Irked at finding their company "in play", a solitary "speculative feature" in the post-crash environment, De La Rue's management has gone on the defensive. A public relations company has been appointed for the first time; analysts have been given unusually candid presentations and later this week are to go on an unprecedented tour of the company's Crosfield subsidiary.

"It's amazing," observed one stockbroker as a De La Rue diary landed on his desk. "A few Maxwell teeth in your ankle and the mind is wonderfully concentrated."

It is not clear what the ubiquitous publishing entrepreneur wants, but whatever it is, De La Rue is not happy. Tersely worded press releases and embittered asides when the company's interim figures were released a fortnight ago have indicated that he is distinctly unwelcome, for all his protestations of friendliness and that he does not wish to take his holding beyond 15 per cent unless there is a "material" change in circumstances.

A bid from Mr Maxwell on his own account seems unlikely: he would end up having to sell equipment to rival newspaper magnates, who would surely take great delight in not buying it. But Mr Maxwell is unpredictable and even if he merely intends to flush out other predators, his presence has given De La Rue's shares a strong fillip. They have outperformed the sagging market in the last few weeks and at 393p yesterday, they stood only 142p off their year's high.

Prior to the crash, De La Rue's shares made a comparatively dull investment. Although the publishing and printing sector outperformed the market as a whole by 14 per cent in the year to October and by 40 per cent last year, De La Rue missed out in the general re-rating. Its shares were only 2 per cent ahead of the the market in the year to October, and 15 per cent ahead in 1986.

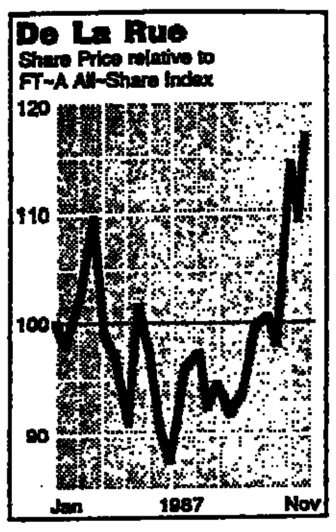
The picture in terms of growth in turnover and profits is at variance with the indifferent share price performance. Over the last five years, turnover has nearly doubled - to £444m in 1986-87 - and trading profits have risen 150 per cent to £52m over the same period. Margins have galloped ahead - from 9.1 per cent to 14 per cent.

Supplying 80 governments, and with over three-quarters of the world's commercially available market after last year's £29m acquisition of Bradbury Wilkinson, then a major competitor, the bank-note business is a mature, cash-cow which still accounts for the bulk of De La Rue's profits.

But the engine of the company's growth in recent years has been Crosfield Electronics. Fuelled by the cash from the bank-note business, Crosfield contributed £17m to last year's profits compared to a loss of £6m in 1983, and turnover has risen from £52m to £192m over the same period.

Bought in 1974, Crosfield manufactures high-technology equipment used in the newspaper industry. In the early 1980s, colour-scanning equipment contributed 95 per cent to Crosfield's sales - but the acquisition of companies such as Hastech and Muirhead, bought last year for less that $4.5m (£2.5m) apiece, has reduced the proportion of sales deriving from this mature, highly competitive business to below 50 per cent.

De La Rue claims that Crosfield's range of pre-press equipment for the newspaper industry



is broader than that of any competitor. It supplies newspaper systems and page composition equipment; it won plaudits for the data transmission system which enabled Time magazine to be printed simultaneously at nine remote sites across the US.

Other group activities include the printing of personalised cheques, passports and bearer bonds, and the manufacture of machinery for cash counting, sorting and dispensing.

Loosely included in the security division, Printrak sells computer systems which can match fingerprints automatically to mugshots; another company supplies sophisticated electronic surveillance equipment. In time, these businesses are expected to rival Crosfield in terms of profitability.

As yet, their contribution is small. Printrak, for example, moved into the black only in the second half of last year, after sustaining losses since it was acquired in 1981.

"We have a unique blend of security and hi-tech businesses," says Dr Brian Malpass, De La Rue's chief executive. "Each of our divisions is mutually supportive in technology terms and the market-place. We have pursued a strategy based on a judicious mix of organic growth and acquisition. Why should we change it?"

It is a strategy aimed at the long-term, and De La Rue's apparent predilection for buying loss-makers which can be turned round only over a number of years has not delighted City institutions obsessed with short term performance.

For three consecutive years, from 1985 to 1987, earnings grew only at a snail's pace, held back at first by high interest costs and last year, by the dilutive effects of a one-for-five rights issue to raise £65m. At 28.3p, last year's earnings per share were only 1.6p higher than those for 1985. Exposure to Nigerian and Brazilian currencies, as well as costs associated with the integration of Bradbury Wilkinson, took their toll on last year's figures.

The recently released interims showed no such restraint. Pre-tax profits rose by 20 per cent to £21m, putting the company on course for £64m in the full year. The benefits of rationalisation at Bradbury Wilkinson and the first ever contribution to first half profits from Printrak prompted a 41 per cent increase in the security division's trading profits, on turnover up just 22 per cent. Crosfield was ahead by 28 per cent. It was stressed that despite the fact that 85 per cent of turnover derives from overseas, profits are relatively invulnerable to the declining dollar

"This is a classic time to go for a company," comments Mr Derek Terrington of Phillips & Drew. "It has invested heavily and the benefits - as reflected in the interim figures - are only just beginning to come through."

This, the opportunistic Mr Maxwell has spotted. If a bid comes from him or anyone else, it would have to be for between £5 and £6 a share to be taken seriously.

Huntingdon rises 40% to £8.9m

Huntingdon International Holdings, biological safety testing, engineering consultancy and analytical chemistry services group based in Cambridgeshire and Minnesota, revealed a 40 per cent expansion in taxable profits to £8.93m in the full-year to September. Huntingdon was introduced to the Stock Exchange in March.

Revenue rose to £44.09m from £37.29m, and gross profit to £14.83m (£11.39). Tax took £2.23m (£1.78) leaving earnings per 5p share of 0.825p against 0.572p last time.

Huntingdon also announced yesterday that it had entered talks with a view to acquiring Empire Soils Investigations of the US.

"We have reached an agreement in principle and hope to make a firm arrangement by the end of the calendar year," said Mr Peter Dawes, company secretary of Huntingdon. "The acquisition would extend our operations in the US and increase our geographical coverage there," he added.

BOS to join USM next year

BOS Group, the UK software house, plans to join the Unlisted Securities Market next year.

The company was founded in 1981 by a group of senior staff from CAP, the quoted software company. In the year to April 30, 1987, BOS made pre-tax profits of £381,000 on turnover of £3.8m.

York Trust will be sponsor to the issue and Alexanders Laing & Cruickshank is the company broker.

First Leisure £2.3m purchase

First Leisure Corporation is buying The Inns Group comprising JM Inns, Arun Inns, Bugle Inns, and Starhotel for £2.3m.

First Leisure will pay £517,000 cash, with the balance financed by allotment and issue of new ordinary shares. The group will also assume an obligation to discharge certain loans and other net current liabilities worth £2.4m. The vendors will retain at least two thirds of their shares for six months after the deal.

First Leisure recently announced an £8m expansion of its dancing division. In the year to October 31, pre-tax profits were £12.73m on sales of £59.1m.

Cattle's approach to James Stewart

Cattle's Holdings has approached the shareholders of James Stewart and Sons, a private company, to suggest a possible merger between its consumer financial subsidiary, Shopacheck Financial Services and James Stewart.

Robert Wigram, Cattle's financial advisers, have written to James Stewart's shareholders. However, no offer would be made until further information was available about James Stewart and unless a majority of the shareholders indicated they would be interested in selling.

James Stewart reported a pre-tax loss for the 53 weeks to January 31 of £257,000.

COMPANY NEWS IN BRIEF

BRITISH FITTINGS GROUP - Of the company's recent rights issue of 7.04m 5.5 per cent convertible redeemable preference shares, the number of acceptances received by 3pm on November 19 was 491,701 shares (approximately 6.99 per cent). The issue was fully underwritten.

FALCON INDUSTRIES - Shareholders subscribed for 1,225,088 shares (22.8 per cent) in respect of the recent rights issue which closed on November 20. The shares subscribed included 1,224,047 shares in respect of which irrevocable underetakings to subscribe were given by certain institutional shareholders.

DEAN AND BOWES GROUP has acquired R and G Blinds for an aggregate partly deferred consideration of £200,000, to be satisfied by the issue of new Dean and Bowes ordinary shares.

NO PROBES - The Secretary of State for Trade and Industry has decided not to refer the following mergers to the Monopolies and Mergers Commission: the proposed acquisition by **INSPECTORATE INTERNATIONAL** of IBL: the proposed acquisition by **BASS** of certain assets of Holiday Corporation: and acquisition by **HOLLIS** of certain assets of Norton Opax,namely Dennis Welbourn.

STERLING PUBLISHING GROUP has completed the purchase of 'Home Finder' magazine from Parkway Publications. An initial payment of £150,000 in cash has been made and there will be a further four capital payments commencing in November 1988. The additional annual consideration will be 10 per cent of sales revenue, up to a maximum consideration of £50,000 in each of the four years.

MENVIER SWAIN has agreed to acquire 54 per cent of Electro Powerpacs Corporation ,Boston,US for $894,000 (£558,000) cash.

FREDERICK COOPER has acquired the fixed assets including the company name, of JMV of Wolverhampton. JMV will be incorporated within the specialist engineering division of Cooper.

UK COMPANY NEWS

Chamberlain Phipps up 40% to £3.4m midway

BY HEATHER FARMBROUGH

Chamberlain Phipps, the adhesives and shoe components group, yesterday reported a 40 per cent increase in interim pre-tax profits to £3.37m, which should enable it to achieve the £7.25m profit forecast made earlier this year during the unsuccessful £62m takeover bid by Wardle Storeys.

The pre-tax advance from £2.41m last year was achieved on turnover up 17 per cent to £58.7m (£50.2m) in the six months to September 30.

Earnings per share rose from 3.72p to 5.40p, while the interim dividend was 1.4p (1.2p). The interest charge was up by 33 per cent from £458,000 to £609,000, reflecting further capital investment.

Chamberlain Phipps is spending over £5m this financial year on new plant and machinery, most of which will be in operation by the end of the year.

Mr David Chamberlain, chairman, said that the adhesive and coatings companies had done well within the Chamtech chemicals and adhesives division. Demand for vinyl coated papers and plastisols had continued to grow and the third coating line commissioned in March 1987 was already operating at full capacity. A fourth coating line would be operational by April 1988.

Trading profits for this division rose by 11.2 per cent, reflecting a 17 per cent increase in UK sales to £21m, although trading margins fell from 5.8 per cent to 5.6 per cent. This was due to higher sales of low margin coatings, and a hiccup in orders over the first quarter from Copydex, a major customer.

The shoe components division benefited from a major turnround at the UK Vinaflex moulding plant. UK trading profits rose by 85.1 per cent to £1.6m on turnover up 19.7 per cent to £16.7m. Trading profits for the division rose by 54.9 per cent from £1.5m to £2.4m.

• comment

Rising demand for men's brogues - from both sexes - and the growing presence of Marks & Spencer and Next in the shoe market have all been good for Chamberlain Phipps, which has 65 per cent of the UK market for shoe components. Yet the company has not rested on its laurels, aware of the 130m pairs of shoes which are imported into the UK every year. In both the shoe and Chamtech divisions it has invested heavily to improve productivity. The opportunities are there in the adhesive and chemicals divisions, if the company exploits them adequately. More significant than the fashion for men's brogues is the growing demand for pre-pasted adhesive wall coverings, and the increasingly popular use of hot melt technology. Current trading is strong, and with margin improvements anticipated at Chamtech, Chamberlain Phipps should beat its own forecast by producing at least £7.5m at the year end. On a prospective p/e of 13, however, the shares look fully valued for the time being.

Marshalls Halifax jumps 36% to £7m

BY PHILIP COGGAN

Marshalls Halifax, the concrete products group, yesterday announced a 36 per cent jump in interim pre-tax profits to £7.1m (£5.2m) thanks to the "exceptionally strong" demand experienced by its concrete and quarrying division.

Operating profits in that division rose 30 per cent to £7.16m (£5.51m), including a £100,000 contribution from the recently acquired US company Warren Concrete Industries. Turnover in concrete and quarrying was 24 per cent higher at £47.9m (£38.7m).

The concrete division manufactures flag and kerb stones and also concrete block paving where it now has a UK market share of around 40 per cent. The company imposed an across the board price increase of 4 per cent in April but although the increase held in many areas, in some, competition was severe enough to bring prices down to their previous levels

Engineering profits improved to £349,000 (£185,000) as two subsidiaries moved into profit after losses experienced last year. However, turnover in the division fell 18 per cent to £6.15m (£7.49m) because of the sale of Reliance-Mercury.

After interest charges of £415,000 (£485,000) and tax of £2.52m (£1.83m), earnings per share were 30 per cent up at 11.29p (8.68p). The interim dividend is being increased to 2p (1.75p).

Mr David Marshall, the chairman, said that current demand was healthy and prospects were encouraging but the group planned to take a cautious approach to expansion.

• comment

The construction sector has been enjoying boom times but even so these figures from Marshalls Halifax were higher than expected and the shares rose 4p to 270p. Most impressive, perhaps, is the company's ability to hang on to a 40 per cent market share in concrete block paving whilst the sector expands rapidly. The commitment to keep production techniques up to date is emphasised by the planned increase in capital expenditure to £11m from £9m last year. For the moment, everything is going well; demand is strong, raw material prices are under control and the engineering division is starting top come out of the doldrums. Nevertheless, the shares, assuming pre-tax profits of £14m for the full year, are on a prospective p/e of just over 12, a premium to the rest of the building materials sector.

Parkland recovers to £1.1m at six months

Parkland Textile, engaged in worsted combing, spinning and manufacturing, showed a satisfactory recovery in the half year to September 4 with pre-tax profits more than doubled from £523,000 to £1.14m on turnover of £31.11m against £28.67m.

Earnings, too, were doubled at 10p per 25p ordinary and "A" share and the interim dividend goes up from 1.6p to 1.8p.

The current order book throughout the group was described as healthy and the board was optimistic regarding the full year's results. However, the return on assets was still considered too low and attention was being directed at improving return from all group companies.

There had been a significant reduction in bank interest charges from £441,000 to £216,000. Close control of stocks and debtors had been kept which resulted in reduced borrowings, and a further reduction was forecast for the second half. The company said that recent management changes had been made which would strengthen the organisation.

Trading surplus less depreciation came out at £714,000 (£662,000) for the first six months and the tax charge amounted to £397,000 (£153,000). Attributable profits were £738,000 (£370,000).

Millicom cuts stake in Racal

Millicom, a US mobile communications group, yesterday announced that it had reduced its stake in UK electronics group Racal from 6.8 per cent to 5.8 per cent.

Millicom helped Racal to establish its Vodaphone cellular radio network in the UK.

At the end of 1986, however, the UK company bought out both Millicom's 15 per cent stake in Vodaphone plus the 5 per cent held by Hambros Advanced Technology Trust, giving it 100 per cent control of the Racal-Millicom subsidiary.

Aspen raises stake in commercial radio group

BY CLAY HARRIS

USM-quoted **Aspen Communications** has increased its stake in GWR Group, holding company for local commercial radio stations in Swindon, Plymouth, Bristol and Bath, to 24 per cent.

Aspen is a diversified group with interests in business publishing, cellular telephones, video production and computer stationery. Although GWR is unquoted, Stock Beech, the Bristol stockbroker, trades its shares on a matched-bargain basis.

The latest 6.3 per cent stake was bought from Investors in Industry (3i), which retains a significant holding, and Imperial Group Pension Fund in return for 40,800 Aspen shares. With Aspen shares at 360p yesterday, this values GWR at £2.33m.

GWR reported pre-tax profits of £282,000 for the six months to September 30. Aspen was a founder shareholder of Wiltshire Radio, GWR's original station, and Mr Henry Meakin, Aspen chairman, is a non-executive director of GWR.

Aspen has approval from the Independent Broadcasting Authority to raise its holding to 25 per cent. It is believed to be considering additional investments in local radio.

Quadrant buys

Quadrant Group, formerly known as Sangers Photographics, has acquired Foxall and Chapman and Southern Cell Phones for an aggregate initial £494,000 in cash and a deferred consideration of up to £40,000.

Manchester-based Foxall, acquired for £420,000, enhances Quadrant's position in the commercial and industrial photographic field.

Tunstall still interested in Sound Diffusion bid

BY PHILIP COGGAN IN LONDON AND JOHN WICKS IN ZURICH

Tunstall Group, security equipment company, is still interested in making a bid for **Sound Diffusion**, electrical equipment leasing group. Tunstall has a 4.9 per cent stake but is waiting for detailed documents on the company's financial position.

On Friday, Mr Paul Stonor, chairman of Sound Diffusion announced plans to resign, following institutional pressure for him to quit.

A series of delayed results and missed forecasts and a dispute with the company's auditor had caused much speculation about the future of the company. Mr Stonor said on Friday that a number of interested parties had approached the group about a bid.

However, Inspectorate International, a Swiss company owned by the financier Mr Werner Rey, has denied any takeover plans. It has a very small stake of less than 1 per cent in the group.

Prop Partnerships up

PRE-TAX profits at **Property Partnerships** increased from £715,000 to £846,000 in the half-year to September 30 1987, and the interim dividend is raised from 1.5p to 1.75p net.

Mr P.R. King, the chairman and managing director, said he was confident that the outcome for the full year would be satisfactory. The company's business was strongly placed to take advantage of suitable investment opportunities.

The company is advancing plans to refurbish and upgrade the original 36 bedrooms at Hotel Nelson - completed in 1971 - to meet possible competition.

SHARE STAKES

Leopold Joseph- Peel Holdings has increased its interest to a total of 528,000 shares (10.04 per cent).

Cluff Oil- Mr J.G. Cluff, a director, purchased a further 25,000 shares at 103p and is now interested in 2,513,803 shares (5.95 per cent).

Colorgen- Non-executive director Mr Alfred Jacob Stern sold 229,000 shares of common stock at 25p on November 18.

Thomas Walker- The following directors exercised options and sold shares at 48p: E.J. Cook 12,500, and M.V. Hargreaves 7,500.

A & M Group- On November 10, director Mr D. Bill purchased 50,000 ordinary at an average price of 11p.

Williamson Tea Holdings- On November 16, George Williamson Holdings purchased a further 25,000 ordinary at 700p and now holds 1,286,094 ordinary (56.2 per cent).

Stylo- Director Mr Alan David Ziff received 39,000 limited voting ordinary shares by transfer from his mother, Mrs R. Ziff.

Sep Industrial Holdings- Director R.A. Narramore purchased 15,000 ordinary at 48p on October 22 and now holds 264,100 shares.

Horace Cory- F.B. Mortimer-Ford purchased 15,000 ordinary at 24p and now holds 72,865 beneficially and 195,312 non-beneficially.

Dewey Warren Holdings- On November 5, director Mr V.N. Oppenheim bought 25,000 ordinary at 112p.

Bunzl- J. Farago sold 20,000 shares at 143p on November 6.

First Security Group- Director A.G. Curtis acquired 30,000 ordinary shares through George House Holdings Limited at prices ranging from 290p to 245p and now holds 55,000 shares (0.59 per cent).

Fisons- Director R.D. Thomas through exercise of options acquired 200,000 ordinary and sold 120,000 ordinary at 255p on November 13. He now holds 80,000.

TR Energy- Director Mr R.W. Brittain purchased 100,000 ordinary at 12p on November 10.

UK COMPANY NEWS

Diploma surprises City with 23% rise to £15m

BY DAVID WALLER

Diploma, electronic component distributor and building products company, yesterday surprised the City with a 23 per cent rise in pre-tax profits for the year to October. At £5.4m, taxable profits were ahead of expectations and prompted a rise of more than 10 percent in the company's share price.

Despite the good figures, Mr Christopher Thomas, chairman, acted to dampen undue enthusiasm by saying that the company's principal markets would inevitably be affected by a slowdown in world trade. "The pervasive wealth-factor which has buoyed up demand must now act in reverse" he said.

After a much-reduced contribution of £200,000 (£700,000) from E 2000, German associate, minorities of £400,000 (£400,000) and a 3.7 per cent tax charge (39 per cent last in the previous year), earnings per share amounted to 16.7p (13.1p). The dividend was raised to make 6p (5.25p) for the full year.

Operating profits increased by 29 per cent to £15.2m on turnover up by 19½ per cent to £111.5m. Aggressive marketing helped the company to increase market share in all its distribution businesses, despite stagnant trading conditions in components and fierce competition in building supplies.

Profits from components distribution rose by 30 per cent to £7.7m, on turnover up by nearly 22 per cent to £65.7m. Building supplies were buoyant. IG Lintel's profits rose by 60 per cent on sales up by 40 per cent, and Robert Lee supplier of plumbing fittings, mustered a 40 per cent profits advance on turnover up a fifth.

Together with the special steels company, Henry Whitham, where margins came under severe pressure, the building supplies companies generated a 30 per cent increase in profits to £7.8m on turnover of £45.8m (£39.2m).

Comment

The market crash treated Diploma's shares rather more harshly than other components companies: they underperformed by over 20 per cent ahead of yesterday's figures, twice as much as shares in a company such as Memec. The precipitate fall reflected fears that Diploma - with some 70 per cent of the UK components market - would be particularly affected by any post-crash slump; add to this the company's exposure to a frothy building services sector, where Diploma has 30 per cent market share. Such fears are not likely to be quelled by yesterday's figures, which to the great credit of the company's management, show the benefits of further market penetration. This was achieved despite fierce competition and is unlikely to be repeated. There is some upside in the share price - currently standing on a prospective p/e of 8½ if £18m is achieved in the current year, even after a 14p gain to 163p yesterday - but a full rerating will await a move into less mature activities.

Rexmore 70% up at £0.68m

Rexmore, Liverpool-based fabrics supplier and distributor, continued to make progress in the six months ended October 3 with pre-tax profits showing an advance of 70 per cent from £398,000 to £676,000 on turnover up from £16.64m to £23.43m.

The growth in earnings per share, however, was held in check, rising from 2.6p to 2.71p due to an increase in the proportionate tax charge. The tax charge in previous years was reduced by tax losses arising in businesses which have been discontinued. These tax losses have now been substantially utilised. The directors said that a more representative calculation shows an increase of 24.1 per cent.

The interim dividend goes up from 0.44p to 0.55p per 25p ordinary.

The directors said the group had exceeded its internal budgets with all divisions performing well and the recent acquisitions successfully integrated.

Turnover in the early weeks of the third quarter was well ahead of budgeted levels and if maintained, the result for the year as a whole would underline the progress made in the first half and the anticipated higher level of activity in the second half.

Rexmore made an open offer last March to raise approximately £2.1m net, to which shareholders subscribed almost 50 per cent, to help fund its growing investment in specialist areas in the timber trade and textile distribution.

Personal Assets improvement

Taxable revenue of **Personal Assets Trust** more than doubled to £135,000 in the six months to end-October 1987.

Tax took £37,000 against £19,000 last time, leaving earnings per 12½p share of 0.65p (0.3p).

Net asset value at the half-year stood at 56.5p per share compared with 50.2p a year ago.

The directors were cautious on prospects for markets and expressed concern over the level of economic activity, particularly for the medium term in the US.

Crown Eyeglass ahead

Crown Eyeglass, processor and franchise distributor of prescription spectacles which came to the Third Market in May, lifted pre-tax profits from £9,000 to £78,000 on turnover up 44 per cent from £521,000 to £748,000 in the six months to September 30 1987.

Earnings per 5p share increased seven times from 0.5p to 3.5p after tax of £25,000 (£3,000). The board said that so far this year 13 new outlets had been opened of which three were company owned. Currently franchise negotiations were proceeding in over 40 prospective towns and deposits had been received for eight new franchises.

With the assistance of Lancashire Enterprises, the company was negotiating with Shenzhen Special Economic Zone Development in China to start up a joint venture to manufacture, retail and export spectacles, lenses and frames.

Traditionally the second half of the company's financial year is better than the first and bearing this in mind the board was confident that there would be continued progress in all areas.

For 1986-87 the company returned profits of £59,000 pre-

Management buys Triplex Lloyd oil equipment division

BY CLAY HARRIS

Triplex Lloyd, foundries and engineering group, is to sell Seaboard Lloyd, a loss-making manufacturer of oil wellhead equipment, to the subsidiary's US and UK managements.

The disposal is the first since Triplex and F.H. Lloyd merged in August. It completes the shake-out of Lloyd's marine and offshore engineering division which lost more than £1m pre-tax in 1986-87, compared with the combined group's total profit of about £3.5m over the same period.

Although Triplex is selling the two Seaboard companies in separate deals for nominal sums - 50 cents for its US shareholding and £20,000 for the UK operation - its liabilities will be reduced immediately by about £1.2m as a result of the transactions.

However, it will write off debts of at least £950,000. This total - or Triplex Lloyd's eventual proceeds - could be increased by as much as £840,000 (at current exchange rates) depending on the performance of the US company.

Lloyd bought a 80 per cent stake in Houston-based Seaboard in May 1985. Less than a year later, the two companies set up a Scottish joint venture in Cumbernauld.

Because the investments came shortly before the oil-price collapse, they were never profitable. At March 31, they had negative net assets of £564,000.

As a part of the deal announced yesterday, Seaboard's 25 per cent stake in the UK company will be transferred to the latter's management to give them full control.

The UK company is the only domestically-owned supplier of wellhead equipment, including valves, "Christmas trees," electrical feedthrough devices and flow control valves. Its buy-out was backed by Investors in Industry (3i).

Triplex Lloyd said that post-merger integration was almost complete, although there might be some additional disposals. The fall in the stock market was likely to provide opportunities for acquisitions.

Sekers profits advance to £848,000 at halfway

Sekers International, maker of furnishing fabrics, increased pre-tax profits 17.5 per cent from £722,000 to £848,000 on turnover up from £10.1m to £11.71m for the six months to September 30 1987.

The interim dividend is raised to 1p (0.9p). Earnings per 10p share increased 19 per cent to 5.7p (4.8p) after tax of £290,000 (£252,000).

Mr Gordon Hay, chairman, said sales had increased by 16 per cent over the corresponding period and this had resulted in a trading profit of £928,000, an increase of 29 per cent.

Against that figure, £80,000 had been debited for non-recurring charges relating to the sale of D. Landau together with the setting-up costs of establishing a trading agreement with China.

Although the sale of assets would reduce the group's turnover it would have no adverse effect on profitability. As a result of this disposal and the subsequent reduction in working capital requirements, the gearing of the group would fall by 16 per cent to below 30 per cent.

The group had continued to spread its export activities more widely and the level of investment in new plant and machinery had continued during the period.

BOARD MEETINGS

TODAY

Interims- Alphameric, BAA, Chase Property, Erskine House, Glamar Group, Hambros, Monks Investment Trust, Murray Technology Investments, Powell Duffryn, Powerscreen International, Resticut International.

Finals- Anglo Irish Banking Corporation, Coalite-Humberside Electronic Controls, Northern American Trust, TMD Advertising, Union Steel Corporation of South Africa.

FUTURE DATES

Interims-	
Anglo United	Dec 2
Boscombe Property	Dec 1
Drummond	Dec 1
Graham Motor	Dec 1
Hewetson	Nov 25
Joseph (Leopold)	Nov 27
Finals-	
Berry Trust	Dec 1
Tunstall Telecom	Dec 3

Concorde offer taken up by 55%

By Clay Harris

SHAREHOLDERS in **Concorde Energy**, an oil and gas exploration company, subscribed for 54.6 per cent of shares available in a £13.1m open offer despite the intervening stock market crash.

However, most of the acceptances were accounted for by Scarletsdale Corporation, the Netherlands Antilles company controlled by a French businessman, Mr Hubert Perrodo. It maintained its stake at 50.1 per cent.

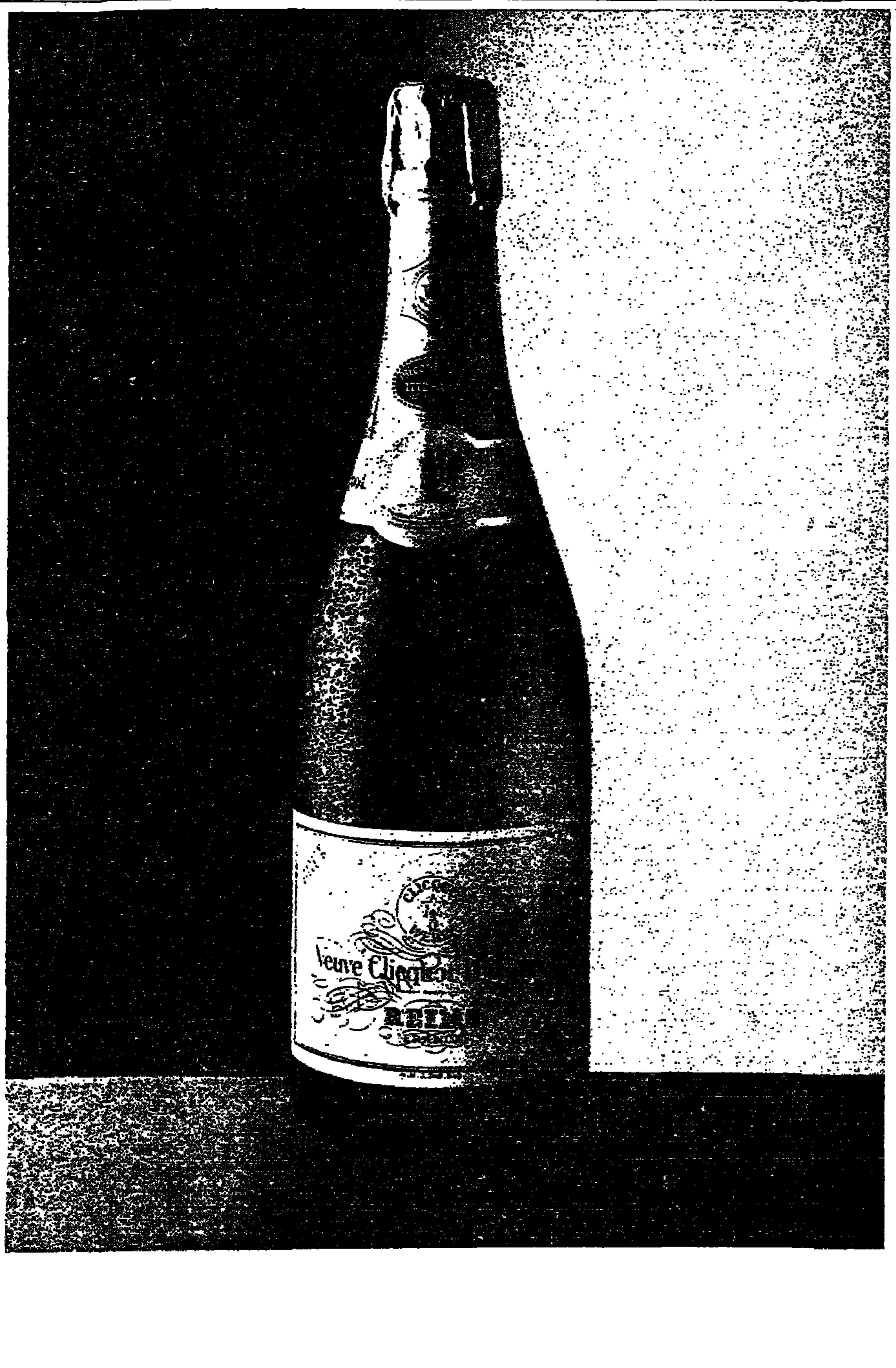
The two-for-seven offer was launched on October 2 to finance the $12m (£6.8m) acquisition of Great Lakes.

The offer price of 78p compares with 89p immediately preceding its launch and 52p yesterday.

Edbro ahead

Edbro, maker of tipping hoists and truck bodies, lifted pre-tax profit from £900,000 to £1.1m in the half year ended September 30 1987, and is holding the interim dividend at 2.5p.

Sales came to £11.7m (£11.2m). Earnings were 8p (7p)



Zinc producers' settle for $40 a tonne rise

BY KENNETH GOODING, MINING CORRESPONDENT

THE EUROPEAN producers' price of zinc settled at $860 a tonne yesterday, up from $820 a week ago, after a series of gyrations which traders said were mainly associated with the so-called "mating season".

That is the industry's term for the courtship ritual which starts in November at a time when there is a bunching of contract negotiations between those companies which are mainly zinc miners and those which are primarily smelters.

It suits the miners to start the negotiations, which are likely to go on until January, with a relatively high price and last week a group of them - including Noranda and Hudson's Bay Mining and Smelting in Canada, Outokumpu in Finland and Electrolytic Zinc (EZ) in Australia - led the way with $50 increases to $870 a tonne.

They were encouraged to lift prices by a shortage of zinc for immediate delivery, particularly in North America. The smelters, however, argued that a $50 increase could not be justified.

The writing was on the wall for a smaller increase last week when Metallgesellschaft of West Germany opted for a $40 rise to $860.

Two other price-setters, Billiton, the Netherlands company, and Preussag of West Germany, announced yesterday that they were also restricting their rises to $40 and Australia's EZ said it was cutting its price by $10 to come into line.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium standard	-2,800	to	46,975
Aluminium high grade	+750	to	48,250
Copper	-5,725	to	58,575
Lead	unch	at	18,825
Nickel	+132	to	2,352
Zinc	-2,400	to	31,900
Tin	-240	to	19,670
Silver (oz).	-96,000	to	19,878,000

At that stage the London-based publication Metal Bulletin confirmed the smelters' victory by announcing it was raising the GOB (good ordinary brand) zinc European producer price by $40 to $860.

The Metal Bulletin price is the one most widely used for purchases of physical concentrates and zinc sales outside the US. Producers who have not yet announced changes of their own are assumed to have fallen into line with it.

Analysts said, in any event, there was no fundamental reason for the zinc price to rise. Mr Graham Dellar, who follows the zinc market for the London research organisation Metals and Minerals Research, estimated that zinc consumption this year is likely to be about 4.85m tonnes against 4.93m tonnes in 1986 and said that the best the industry could hope for was a balanced market.

"It is in surplus at the moment and could stay that way until the end of the year", he added.

Mr Stephen Briggs, an analyst with brokers Shearson Lehman Brothers, said "There is no evidence whatever of a genuine shortage of zinc. I think the producers are trying it on."

He pointed out that zinc was the only London Metal Exchange product to have shown an increase in stocks this year. Stocks have about doubled from a low level.

However, the LME announced yesterday that its zinc stocks fell by 2,400 tonnes to 31,900 tonnes last week. The news did not have any impact in quiet trading on the LME yesterday and the price for three months delivery ended $11 down at $855 a tonne.

Shoppers give thanks for US turkey glut

By Deborah Hargreaves in Chicago

DECEMBER 25 is the blackest day on the British turkey's calendar, but in the US that day falls a month earlier, on the annual Thanksgiving holiday. This week more turkeys than ever before are about to meet their maker.

This year Thanksgiving shoppers can pick up birds at rock-bottom prices thanks to a 20 per cent rise in US output.

With *production* at a record 236m birds, prices are falling to little more than half last year's levels.

Nowhere is this more apparent than in Chicago, where observers have dubbed the price battle raging between two of the Windy City's major supermarkets "The Great Chicago Turkey War".

Supermarkets traditionally use turkeys as loss leaders at this time of year, but one Chicago chain took its rivals by surprise when it bought prime-time advertising to flaunt its plump birds at a mere 29 cents per lb.

That initial salvo launched a price war in shopping malls across the city. Prices have been undercut to such an extent that the gobblers are now selling for as little as 18 and 19 cents per lb on a $40 or $50 purchase.

In Chicago, supermarket prices are down by as much as 50 cents per lb from last year's levels. They represent a 30-cent discount on wholesale prices of around 50 to 55 cents per lb.

Prices could yet drop farther as retailers try to shift high turkey stocks in the run-up to Christmas.

Mr Tom Morgan, president of Chicago's Sterling Research Corporation, points out that stocks of turkeys in cold storage are usually reduced from around 460m lbs at the beginning of November to some 180m lbs by January. This year the amount of turkeys in storage is up by over 200m lbs.

Mr Morgan dates the turkey glut back to a change in the Food Security Act (more familiarly known as the Farm Act) in 1985. Falling grain prices have made it much more profitable to rear turkeys.

What is more, high turkey production is encouraging the innovative use of the *birds'* meat in processed turkey products.'

All this marks a growing move by Americans away from red meat - a move that is likely to see a rise in post-Thanksgiving "cold-turkey".

Options for tackling EC surplises

FARMER'S VIEWPOINT

By John Cherrington

IT NOW seems unlikely that the European Commission's plan to control agricultural spending through a system of budget "stabilisers" can be brought into play in the very near future. So far only Britain has shown any serious interest in doing anything at all about restraining Community expenditure, and at last week's council session in Brussels Mr John MacGregor, its Agriculture Minister, was apparently incensed by the lack of urgency shown by his fellow Ministers.

This will give everyone time to look at the options available for reducing output of the main commodities in surplus.

To date the most successful measure for containing expenditure has been the imposition of milk quotas. Now that these have begun to bite output of milk is coming under control and the number of cattle in the Community is falling. Although the milk regime is still the most expensive item of EC expenditure its cost could be reduced, given sufficient resolution, by simply reducing the quota guarantee.

In the UK in particular the market is well controlled by the Milk Marketing Boards, which makes administration quite easy. The same applies to Denmark and Holland. UK farmers did not take to the system gladly but they certainly appreciate it now. It has given them a secure market at a fair price and in addition a farm's milk quota is a valuable asset - working out at about £1,500 a cow. Some purist economists deplore the rigidity of the quota system, and certainly the capital value of the quota was never taken into account when the measure was first imposed.

But it would be a brave man who would attempt to take it away from farmers now.

It is not surprising then that producers in other sectors are asking for similar treatment. The quota principle has been established in Britain for a long time. There was a pre-war Hops Marketing Scheme which included a quota but this was swept away by EC membership. There are potato quotas to control acreage and sugar beet production is effectively controlled by a quota.

So what about cereals?

This is a difficult one. Cereal output is almost infinitely variable, both as to quantity and quality, being very susceptible to weather problems. There is no easily-defined standard product and no mechanism for marketing it as such.

I have seen cereal quotas operating in the past in Canada and *Australia. Only in Australia* were they called quotas, representing the amount of wheat which a farmer was allowed to sell through the export outlet. Once he had used up his allocation it was up to him to find a secondary market for the rest of his crop, or else to store it for another year. It was in effect a dual-price system.

In Canada each farmer was given permission to load so much grain for the export market. The rest he was allowed to store or he could sell it locally, as long as it did not cross provincial boundaries and enter the export system. A quarter of a century ago there were enormous stacks of unsold grain on many Canadian farms and farmers were using wheat for their everyday transactions such as housekeeping and college fees. In the event though, and within a fairly short time, a change came over the market scene. So most of the grain was cleared and prices rose again.

In the EC there would not be sufficient of the crop for export to base the quota on. Nor is there a clear channel of trade though which it could be controlled. Instead the market is supported by intervention buying and export subsidisation. Because of quality problems this year very little is going into intervention *and exporting is slack.*

The suggested stabiliser policy for controlling cereal expenditure is a combination of price limitation and acreage controls. A limit would be set on the total harvest tonnage to be supported in this case 155m tonnes. Should this be exceeded the guaranteed intervention price would be reduced by the percentage of excess plus an additional co-responsibility levy. These figures *will not be decided until the harvest result can be calculated* on September 15. This is bound to destabilise the grain trade as normally in the U trading starts at the end of July.

There are no suggestions of a set-aside system to take some land out of cereal production altogether. It is believed that some member countries now favour this and in fact the West German Government has been running an extensive pilot scheme on these lines in Hanover. But this is financed by the national and state governments, which, strictly speaking, is against the present rules of the EC.

The set-aside principle is denigrated because its application in the US has failed to reduce output - but at least it can be claimed that it has not made matters a great deal worse.

It is quite simple to administer and the reward that a farmer gets for putting land in the scheme is that he can sell his grain at the guaranteed and not the market price. In Britain the National Farmers' Union and Mr MacGregor both favour set-aside in principle, but differ on one important point. The NFU wishes it to be a compulsory scheme, so that everyone will be *treated similarly*, while the Minister wishes it to be voluntary.

From a practical standpoint I believe the compulsory scheme must be the right one, if limitation of output is the aim. After all, you cannot grow crops without land. My reaction as a farmer to the stabiliser and limited set-aside proposal would simply be to grow as much as I could in order to reduce my unit costs. Price reductions alone do not *reduce output.*

Soviet official calls for dearer food

A SENIOR Soviet official is urging the Soviet Union to increase food prices in order to improve inadequate food supplies, **AP-Dow Jones reports from Moscow.**

In an article published in Trud, a labour newspaper, Mr V. Pavlov, chairman of the Government Committee on Prices, said the country could not increase the amount of money spent on subsidising food prices if it wanted to improve the agricultural sector.

The Soviet Union first began subsidising food prices in 1965. Since then the subsidy bill has grown to about $80bn a year. Practically every basic food product is heavily subsidised already, Mr Pavlov said.

Indonesian tea traders worried about prices

BY JOHN MURRAY BROWN IN JAKARTA

INDONESIAN TEA traders say prices in Jakarta could fall further if an import trade agreement with Pakistan, one of its major buyers, is not in place soon.

Prices for fair and medium grades have already slipped to around 160 cents a kg as rains have encouraged speedy leaf growth, which impairs tea quality. However, the seasonal downturn in price could now be exacerbated without the demand from Pakistan, the world's third largest tea importing country.

Traders in Jakarta report that no licenses have yet been issued by the Karachi authorities on a trade expected to be worth about $10m this year. Pakistan accounts for about 12 per cent of Indonesian tea exports, which last year totalled $85m. This is markedly lower than figures for 1984, a time of high prices, when Indonesian shipments were worth $226m.

Traditionally packers in Pakistan have blended Indonesian "orthodox" tea strains with more expensive cut, tear and curl varieties from Africa, mainly Kenya, and South Asian teas from Bangladesh and Sri Lanka.

When announcing a temporary suspension of import licenses earlier this year, Pakistan said it intended to reduce purchases from Kenya in a bid to conserve foreign exchange.

However, delays in reaching agreement with Indonesia are believed to centre on the countertrade terms Pakistan is requesting.

UK food and drink exports up 13%

BY BRIDGET BLOOM

BRITAIN'S FOOD and drink exports to its four main markets of France, West Germany, the Benelux countries and the US were up by 13 per cent last year, according to Mr Walter Goldsmith, Chairman of the Food From Britain organisation

Introducing the FFB annual report for 1986/87 in London yesterday, Mr Goldsmith said the increase had been achieved despite low funding on export promotion. France spent some £50m and Germany £30m a year through the state-funded bodies designed to promote exports and consumption of food and agricultural products, he said

At just under £6m, FFB's government grant was "extremely small," Mr Goldsmith noted. He called for a revision of the organisation's funding arrangements, which have provided some £18m in grants for the development of agricultural co-operatives and currently £5.4m for the promotion of food and drink consumption.

FFB, founded five years, ago, has been criticised for being ineffective in the past. Government policy is now to seek greater financial participation in its operation by the industries benefitting from its operations. Mr Goldsmith noted yesterday that discussions were still continuing.

FFB's annual report makes much of the opportunities in the food sector in Britain. According to a new study published as part of the report, Britons spend some £565 a year each on food, ahead of only Ireland and Portugal within the European Community.

Tanzania in trade clamp down

BY PHILIP SMITH IN DAR ES SALAAM

THE REFORMING Tanzanian Government of President Ali Hassan Mwinyi has outlawed private purchases of crops and unofficial mining of gold and gemstones in the past week.

Both sectors have been plagued in the past by entrepreneurs exploiting bureacratic inefficiencies in the relevant state-owned companies by ignoring official pricing and licensing laws, according to government officials.

Half a tonne of gold is smuggled out of the country each month by unlicensed dealers, the Government estimates, and stranded crops are being purchased at little more than half the official price and sold at cut rates in towns.

Last Friday, however, the Ministry of Agriculture and Livestock Development announced that it would enforce more strictly a ban on the private purchases of agricultural produce.

At present an estimated 300,000 tonnes of mixed crops, including the major foreign exchange earners - coffee and cotton - are stranded in villages due to transport shortages and bottlenecks at railway stations. The season's short rains are expected to fall on the unprotected crops this week, the meteorological department has warned.

"With their crops sitting in the open waiting for the rains - it will be difficult for the peasants to resist the temptation of cash from the private buyer," one agricultural official said yesterday.

In an attempt to stabilise the finances of the indebted state-directed co-operative unions and primary co-operative societies, the Ministry has told farmers to sell their crops officially or not at all.

Agricultural officials in Dar es Salaam say the ban will be difficult to enforce, with farmers still owed millions of shillings in credit for crops purchased by the co-operatives. But the Ministry says adequate funds will be available to honour purchases.

The agricultural ban is the second crackdown by President Mwinyi's government since the third ruling Chama Cha Mapinduzi party's conference in the Dodoma in late October. Ex-president Julius Nyerere, a sceptic about the country's reform, was re-elected as chairman at the conference and the party's Socialist policies remained firmly entrenched.

A week ago the Government announced that freelance gold and gemstone miners would be allowed to retain 70 per cent of their foreign exchange earnings to buy inputs, but at the same time imposed stricter rules for obtaining mining licenses. At present 50 per cent of foreign exchange earnings can be retained.

To obtain new licenses the miners will need business registration certificates and proof that their companies are creditworthy to the tune of between $14,000 and $75,000, depending on the licence.

The new laws are aimed at curbing the smuggling problem, mining officials say.

Recent reports in the state-run Daily News newspaper from the gold-rich northern Shinyanga region say up to 40,000 people have flocked to the area to prospect for gold, which they sell to smugglers and unlicensed dealers at ten times the government fixed price. But the mining is dangerous. Two peole were killed when they were buried alive in an unofficial mine earlier this month, and officials say others have also "disappeared without a trace."

Australia and Egypt agree wheat deal

By Tony Walker in Cairo

AUSTRALIA AND Egypt have agreed on the shipment of 1.5m tonnes of wheat in 1988 under their long-term contract.

Australian and Egyptian negotiators settled on a price that was a little more than US$100 a tonne. Egypt is one of Australia's biggest wheat markets, absorbing about 2m tonnes a year.

A five-year agreement, which runs until 1991, provides for total shipments of 10m tonnes. An Australian official in Cairo described the sale as "quite satisfactory," and pointed out that Australia's wheat crop this year was down to 9.6m tonnes from 16m tonnes last year.

He said that because of the worldwide wheat shortage, due in part to a bad crop in Europe, prices were expected to firm in the next few months. Australia could, therefore, hold out for a reasonable price. It was forced to sell last year at around $80 a tonne.

Recent Egyptian purchases of wheat from the US have been concluded at $100 a tonne.

Egypt's 52m people consume about 6.5m tonnes of wheat a year.

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER PRICES on the London Metal Exchange reversed the easier trend of late last week to reach the highest levels for seven years in dollar terms, and 2½ years in sterling terms. The cash grade A position closed at £1,489 a tonne, up £46.50, while the three months quotation advanced £28.25 to £1,264.50 a tonne. Dealers again attributed the market's sentiment to the tone in New Yrok's Comex and said the cash premium over three months metal was widened by renewed "borrowing" (buying cash and selling forward). In contrast the aluminium market's gloomier mood was maintainwed, with prices falling for the third trading day in succession. Despite rallying in late trading, as speculators covered against earlier short sales, the cash standrad grage price closed £11 down at £935 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB January)		+ or -
Dubai	$16.75-6.80	
Brent Blend	$17.92-7.98y	+0.195
W.T.I.(1 pm est)	$19.25-9.30y	45
Oil products (NWE prompt delivery per tonne CIF September)		+ or -
Premium Gasoline	$178-180	
Gas Oil	$159-161	+1
Heavy Fuel Oil	$83-84	+1
Naphtha	$150-152	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$470.25	+7.25
Silver (per troy oz)♣	671c	+19
Platinum (per troy oz)	$493.75	-9.50
Palladium (per troy oz)	$114.00	-0.50
Aluminium (free market)	$1650	-50
Copper (US Producer)	114⅝-17¼c	+3¾
Lead (US Producer)	42.00c	
Nickel (free market)	280c	+2
Tin (European free market)	£3940	-25
Tin (Kuala Lumpur market)	17.31r	-0.13
Tin (New York)	324.50c	-2.00
Zinc (Euro. Prod. Price)	$820-870	
Zinc (US Prime Western)	$44.375	
Cattle (live weight)†	100.97p	+1.27*
Sheep (dead weight)†	190.71p	+2.42*
Pigs (live weight)†	73.43p	-1.83*
London daily sugar (raw)	$194.40w	+0.60
London daily sugar (white)	$202.40w	+4.90
Tate and Lyle export price	£214.00	-0.50
Barley (English feed)	£108.25	
Maize (US No. 3 yellow)	£135.00	+1.00
Wheat (US Dark Northern)	£90.25y	
Rubber (spot)♥	61.75p	
Rubber (Dec) ♥	63.25p	
Rubber (Jan) ♥	63.25p	
Rubber (KL RSS No 1)	260.50m	+0.50
Coconut oil (Philippines)§	$470.00x	
Palm Oil (Malaysian)§	$370.00y	
Copra (Philippines)§	$325.00y	+8.00
Soyabeans (US)	$143.00	+2.50
Cotton "A" Index	75.70c	-0.95
Wooltops (64s Super)	493p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-Dec/Jan. s-Jan/Feb. x-Nov/Dec.y-Dec. † Meat Commission average fatstock prices. * change from a week ago. ♥ London physical market. § CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg

COCOA £/tonne

	Close	Previous	High/Low
Dec	1098	1082	1100 1082
Mar	1129	1110	1128 1110
May	1148	1129	1148 1130
Jly	1165	1148	1165 1150
Sep	1184	1168	1183 1175
Dec	1209	1194	1208 1204
Mar	1234	1217	1233 1229

Turnover: 5684 (3372) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 23: 1447.54 (1421.01) .10 day average for November 24: 1434.85 (1432.87).

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1230	1238	1231 1225
Jan	1262	1270	1265 1259
Mar	1283	1293	1288 1282
May	1305	1315	1310 1303
Jly	1330	1335	1330 1330
Sep	1350	1360	1354 1354
Nov	1375	1385	

Turnover: 1203 (3326) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 20 :Comp. daily 116.93 (117.14) . 15 day average 115.29 (114.94).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	169.40	171.00	168.60
Mar	173.60	175.60	176.60 173.20
May	174.40	176.00	176.00 174.40
Aug	175.00	176.20	176.60 174.60
Oct	176.40	177.40	176.00 176.20
Dec	178.20	180.00	177.80
Mar	183.80	184.80	
White	**Close**	**Previous**	**High/Low**
Mar	207.00	206.00	210.00 206.00
May	211.00	210.50	212.30 210.60
Aug	215.90	214.40	216.80 215.00
Oct	218.00	214.50	
Dec	217.00	215.50	217.50 216.80
Mar	223.00	223.00	
May	226.00	227.00	

Turnover: Raw 2216 (603) lots of 50 tonnes. White 1507 (972).
Paris- White (FFr per tonne):Mar 1180, May 1206, Aug 1248, Oct 1255, Dec 1255, Mar 1285.

GAS OIL $/tonne

	Close	Previous	High/Low
Dec	160.50	160.00	161.25 158.00
Jan	160.25	159.50	161.00 157.75
Feb	158.50	157.50	158.75 156.25
Mar	154.50	154.25	155.00 153.50
Apr	153.00	150.50	153.00

Turnover 6004 (6043) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	112.50	113.60	113.60 112.45
Jan	113.95	114.20	114.05 113.90
Mar	115.90	116.20	116.00 115.85
May	117.90	118.15	118.05 117.80
Jly	120.75	121.25	120.85 120.75
Sep	101.75	101.90	
Nov	105.70	105.85	
Barley	**Close**	**Previous**	**High/Low**
Nov	104.70	104.85	104.85 104.70
Jan	106.90	107.15	107.00 106.85
Mar	108.80	109.10	108.80 108.75
May	110.55	110.85	110.55
Sep	98.00	99.00	
Nov	100.00	100.00	

Turnover: Wheat 150 (338) . Barley 58 (48) . lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1690-710	1700-20		1650-60		
3 months	1650-70	1675-85	1642/1632	1630-40	1650-70	2,371 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 24,825 tonne
Cash	934-6	945-7		913-4		
3 months	906-7	922-3	911/887	893-4	911-2	60,480 lots
Copper, Grade A (£ per tonne)						Ring turnover 40,725 tonne
Cash	1488-90	1440-5	1470	1469-71		
3 months	1264-5	1236-6.5	1272/1235	1253-4	1271-2	78,004 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1420-30	1390-5		1400-10		
3 months	1240-50	1220-30		1235-40		34 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	668-71	644-7		659-60		
3 months	680-3	665-8		671-5	667-90	601 lots
Lead (£ per tonne)						Ring turnover 11,175 tonne
Cash	361-3	362-4	363	363-3.5		
3 months	343.5-4	345.5-6.5	347/343	343-3.5	346-7	12,910 lots
Nickel (£ per tonne)						Ring turnover 942 tonne
Cash	3365-75	3340-60		3349-50		
3 months	3338-48	3310-5	3339/3300	3309-10	3328-30	8,111 lots
Zinc (£ per tonne)						Ring turnover 6,000 tonne
Cash	481-3	489-91		483-4		
3 months	479-80	487-7.5	482/479	481-2	482-3	15,160 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	100.00	105.00	
Mar	91.00	90.00	90.10 90.00
Apr	150.80	151.70	153.00 149.40
May	164.50	165.40	165.00 164.30
Nov	75.00	75.00	
Feb	90.00	90.00	

Turnover 400 (371) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	144.00	144.00	143.00 142.80
Feb	142.50	142.00	142.00 141.50
Apr	139.00	139.00	138.90
Jun	129.00	128.00	128.00
Aug	126.00	125.50	
Oct	127.50	127.00	
Dec	130.00	129.00	

Turnover 124 (132) lots of 100 tonnes.

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1200.0	1201.0	1206.0 1200.0
Apr	1247.5	1249.0	1250.0 1247.5
Jly	1117.5	1107.5	
BFI	1153.5	1152.0	

Turnover 89 (191)

TEA
There were 24142 packages on offer in this week's sale including 4000 packages in the offshore section, reports the Tea Brokers' Association. A strong general demand prevailed. Assams met good competition and generally gained 4-6p with the emphasis on colouy mediums but enquiry was still limited for the plainest offerings. Best liquoring East Africans were a strong feature and put on 4-6p together with colouy mediums while the remainder stayed fully firm. Selected Central Africans gained ground, others remained steady. In the offshore section Kenya teas were mainly 3-8p dearer while other growths were little changed. Quotations: quality unq (180p a kg); medium 108p (105p); low medium 83p (83p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	470-470½	282½-283
Opening	468¼-468¾	281¼-281¾
Morning fix	469.25	281.154
Afternoon fix	469.40	282.601
Day's high	470¼-470¾	
Day's low	468-468½	
Coins	**$ price**	**£ equivalent**
US Eagle	484-489	270-273
Mapleleaf	484-489	270-273
Britannia	484-489	270-273
Krugerrand	469½-472	262-264
1/2 Krug	243-252	135¾-140¾
1/4 Krug	121-129	67½-72
Angel		
1/10 Angel		
New Sov.	110½-111½	61¾-62½
Old Sov.	110½-112	61¾-62¾
Noble Plat	512-522	286-291½

Silver fix	p/fine oz	US cts equiv
Spot	370.15	663.35
3 months	376.30	675.55
6 months	388.30	687.85
12 months	403.25	715.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.5%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600			31½	74
1625	81	80	42	87
1650	67	69½		
Copper (Grade A)	**Calls**		**Puts**	
Strike price $ tonne	Jan	Mar	Jan	Mar
2150			46½	182
2250	240		76½	234
2350	181			
Copper (Grade A)	**Calls**		**Puts**	
Strike price £ tonne	Jan	Mar	Jan	Mar
1300			44	
1350	80		67	
1400	48			

INDICES

REUTERS (Base: September 18 1931 = 100)

Nov 20	Nov 19	mnth ago	yr ago
1700.1	1711.9	1640.1	1609.5

DOW JONES (Base: September 18 1931 = 100)

Spot	128.33	128.03		118.54
Futures	131.67	131.46		118.66

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	475.4	469.6	0 0
Dec	476.0	470.3	477.7 468.8
Jan	479.1	473.3	473.8 473.8
Feb	482.1	476.2	484.0 474.9
Apr	487.8	481.9	489.5 480.8
Jun	493.6	487.6	495.0 486.0
Aug	499.8	493.5	500.4 493.0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	167.50	166.70	168.50 166.00
Mar	166.65	165.55	169.08 164.00
May	166.25	165.20	167.00 164.50
Jly	166.25	165.30	166.00 166.00
Sep	166.60	165.65	166.25 166.00
Jan	159.50	158.60	0 0
Mar	159.50	158.60	0 0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1858	1820	1860 1820
Mar	1864	1830	1868 1842
May	1894	1868	1893 1873
Jly	1920	1893	1920 1912
Sep	1949	1917	1940 1936
Dec	1985	1957	0 0
Mar	2013	1990	0 0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	127.40	127.80	128.50 127.10
Mar	130.80	131.47	131.75 130.00
May	132.55	133.16	133.25 132.25
Jly	134.13	134.77	135.00 134.80
Sep	135.75	136.29	136.50 136.50
Dec	137.28	136.65	0 0
Mar	138.50	138.78	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	106.30	108.00	108.50 108.00
Dec	105.40	106.00	108.00 105.40
Jan	103.60	102.70	104.50 104.00
Mar	99.90	97.10	100.60 97.70
May	92.40	89.70	92.80 90.30
Jly	89.00	86.40	89.55 87.30
Sep	87.70	85.50	0 0
Dec	86.80	84.90	87.50 86.10
Jan	86.60	84.85	0 0
Mar	86.40	84.75	86.00 86.00

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	507.2	500.3	0 0
Dec	509.4	502.5	0 0
Jan	511.7	504.8	517.0 497.6
Apr	519.8	512.5	526.0 506.0
Jly	527.6	520.5	525.0 524.0
Oct	535.6	528.5	532.5 524.0
Jan	544.1	537.0	0 0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	68.98	67.48	70.80 68.25
Mar	69.67	68.80	70.60 69.30
May	70.23	69.45	71.45 70.00
Jly	70.40	69.52	71.52 70.25
Oct	64.90	64.50	66.50 65.60
Dec	63.50	63.00	64.80 63.60
Mar	64.80	65.00	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	694.2	665.8	0 0
Dec	695.0	667.0	698.0 663.5
Jan	699.5	671.1	0 0
Mar	709.2	681.0	712.0 677.0
May	718.6	690.0	722.0 691.0
Jly	728.0	699.0	731.0 697.0
Sep	737.9	708.5	0 0
Dec	753.1	723.3	754.0 721.0
Jan	757.9	728.0	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	7.25	7.25	7.30 7.20
Mar	7.72	7.81	7.83 7.66
May	7.78	7.88	7.85 7.74
Jly	7.81	7.83	7.87 7.77
Oct	7.88	7.90	7.94 7.84
Jan	8.03	8.05	0 0
Mar	8.19	8.16	8.27 8.18

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Jan	18.95	18.65	19.00 18.70
Feb	18.82	18.55	18.86 18.60
Mar	18.77	18.54	18.80 18.55
Apr	18.72	18.46	18.72 18.52
May	18.63	18.43	18.64 18.46
Jun	18.48	18.40	18.62 18.42
Jul	18.47	18.36	18.50 18.47
Aug	18.38	18.17	18.38 18.38
Sep	18.50	18.15	18.50 18.40
Oct	18.30	18.10	0 0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	55.85	55.55	56.10 55.30
Jan	55.25	55.05	55.85 54.70
Feb	54.60	54.35	55.05 54.15
Mar	52.55	52.00	52.80 52.00
Apr	50.60	50.10	50.85 50.25
May	49.70	49.20	49.85 49.20
Jun	49.50	48.80	49.50 48.50
Jul	49.50	48.30	49.50 49.00

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.75	17.69	17.78 17.58
Jan	17.96	17.90	17.97 17.79
Mar	18.30	18.28	18.31 18.16
May	18.60	18.60	18.60 18.50
Jly	18.85	18.78	18.85 18.70
Aug	18.95	18.87	18.95 18.95
Sep	19.00	18.88	19.00 18.95
Oct	19.02	18.82	19.00 19.05
Dec	19.20	19.10	19.20 19.20

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	208.6	209.9	211.0 207.2
Jan	200.1	201.2	202.3 198.0
Mar	193.7	193.7	195.5 191.0
May	187.2	186.7	188.0 184.5
Jly	184.0	183.2	184.5 181.5
Aug	183.2	182.5	184.0 181.3
Sep	182.0	182.0	183.0 181.5
Oct	180.0	179.0	181.5 180.0
Dec	180.0	178.8	181.0 178.3

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	55.60	54.45	56.00 54.25
Mar	55.27	54.22	55.55 54.05
May	56.20	55.87	56.25 55.25
Jly	55.50	55.95	56.10 55.37

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	302/4	296/4	304/0 295/0
Mar	310/6	306/0	312/0 304/6
May	305/0	301/4	306/6 300/4
Jly	292/0	288/6	294/0 287/4
Sep	297/0	292/0	298/4 293/6
Dec	307/0	303/0	307/0 305/0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	47	44.55	44.52 43.92
Feb	45	43.75	43.70 43.10
Apr	30	39.82	39.70 39.32
Jun	40	42.65	42.55 41.85
Jly	40	43.00	42.95 42.20
Aug	41	41.97	41.85 41.40
Oct	38	39.00	39.25 38.85
Dec	39	39.40	39.70 39.45

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	187/	187/0	187/4 185/4
Mar	192/	192/0	193/2 190/4
May	197/6	198/2	197/4 195/0
Jly	200/4	200/0	201/2 199/0
Sep	198/2	197/0	198/6 197/4
Dec	194/2	194/2	194/6 193/4
Mar	200/4	201/0	201/0 200/0

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Jan	589/2	92/4	593/4 586/0
Mar	597/0	39/4	600/4 593/0
May	600/4	2/4	604/6 597/0
Jly	601/6	4/4	605/6 598/4
Aug	599/4	3/0	603/4 598/0
Sep	587/6	3/0	590/0 587/4
Nov	584/6	5/2	586/0 582/4
Jan	590/4	5/2	0 0

LIVE CATTLE 40,000 ; cents/lbs

	Close	Previous	High/Low
Dec	66.85	66.	67.02 66.15
Feb	63.27	63.	63.42 62.75
Apr	64.95	64.	65.00 64.27
Jun	64.87	64.5	64.90 64.07
Aug	62.77	62.3	62.85 62.00
Oct	61.90	61.7	62.25 61.55
Dec	63.40	63.28	63.40 0

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls on budget accord

REACTION TO the US budget agreement was not favourable. The dollar finished above its lowest levels of the day in Europe, but generally weaker.

Mr Nigel Lawson, UK Chancellor, indicated he was hopeful of a Group of Seven meeting in December, to discuss world economic policy, but Mr James Baker, US Treasury Secretary, did not appear optimistic about a meeting in spite of the budget accord.

Any agreement among the world's leading industrial nations on coordinated policy depends on reaction to the measures agreed by the White House and Congressional leaders to cut the budget deficit.

Tokyo and Bonn will play a major part in these decisions, but Government offices and financial markets in Japan were closed yesterday for a national holiday, while the West German authorities and Frankfurt's markets adopted a cautious approach to the situation.

The US measures were within the range of expectations, but dealers were not convinced there would be widespread agreement within Congress for last Friday's accord.

Trading this week is not expected to be particularly active, with Tokyo closed yesterday, and US markets shut on Thursday for Thanksgiving.

The dollar opened weaker at around DM1.6685 in Europe, and fell to a low of DM1.6625, before recovering a little to close at DM1.6680, compared with DM1.6825 on Friday. The US currency also fell to Y134.65 from Y135.40; to FFr5.6675 from FFr5.7100; and to SFr1.3695 from SFr1.3805.

On Bank of England figures the dollar's exchange rate index fell to 95.9 from 96.3.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index was unchanged at 75.7, compared with 73.3 six months ago.

Sterling finished below its best levels of the day, but still much firmer against the dollar. There was little reaction to remarks by Mrs Margaret Thatcher, UK Prime Minister, about the pound's future role among European currencies.

Mrs Thatcher's comment that she remains opposed to full membership of the European Monetary System had no impact on sterling. The pound was on the sidelines, with attention fixed on the dollar.

Sterling gained 1.10 cents to close at $1.7895-1.7905 in London.

The Prime Minister denied there was a ceiling of DM3.00 for the pound against the D-Mark, but the strength of the West German currency against the dollar meant there was no opportunity for the sterling to attack this level.

The pound fell to DM2.9850 from DM2.9925; to FFr10.1450 from FFr10.1575; and to SFr2.4525 from SFr2.4550, but improved slightly to Y241.00 from Y240.75.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 151.4 against 147.5 six months ago.

The D-Mark was little changed against the dollar at the close of trading in Frankfurt yesterday.

The US budget agreement was generally considered disappointing, but dealers were not ready to make a strong attack on the dollar.

It was also doubted that today's revised US GNP growth for the third quarter will produce any strong reaction.

The US currency closed at DM1.6685 in Frankfurt, against DM1.6655 on Friday. The Bundesbank bought $38.3m when the dollar was fixed at DM1.6667, compared with DM1.6747 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1949	+1.74	+0.95	±1.5344
Danish Krone	7.85212	7.95119	+1.26	+0.47	±1.6404
German D-Mark	2.05853	2.06230	+0.18	-0.61	±1.0981
French Franc	6.90403	7.00793	+1.50	+0.71	±1.3674
Dutch Guilder	2.31943	2.32146	+0.09	-0.70	±1.5012
Irish Punt	0.768411	0.776315	+1.03	+0.24	±1.6684
Italian Lira	1483.58	1520.34	+2.48	+2.13	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 20	Close	Previous Close
£ Spot	1.7775-1.7785	1.7770-1.7780
1 month	0.32-0.30pm	0.30-0.29pm
3 months	0.65-0.63pm	0.64-0.62pm
12 months	1.82-1.75pm	1.83-1.76pm

Forward premiums and discounts apply to the US dollar

POUND SPOT- FORWARD AGAINST THE POUND

Nov.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7850-1.7950	1.7895-1.7905	0.35-0.34cpm	2.31	0.66-0.61pm	1.42
Canada	2.3425-2.3544	2.3455-2.3465	0.21-0.14cpm	0.90	0.16-0.03pm	0.16
Netherlands	[illegible]	[illegible]	[illegible]	4.45	[illegible]	3.71
Belgium	62.35-62.68	62.40-62.50	[illegible]	2.79	[illegible]	1.83
Denmark	11.48-11.53	11.50-11.51	[illegible]	-1.30	[illegible]	-1.52
Ireland	1.1223-1.1255	1.1230-1.1240	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
Korea(Sth)	1411.60-1424.35	794.30-801.00
Kuwait	0.49730-0.49750	0.27785-0.27795
Luxembourg	62.40-62.50	34.85-34.95
Malaysia	4.4595-4.4710	2.4920-2.4930
Mexico	4198.00-4290.00	2550.00-2560.00
N. Zealand	2.9000-2.9050	1.6185-1.6205
Saudi Ar.	6.7115-6.7175	3.7495-3.7505
Singapore	3.6265-3.6340	2.0265-2.0275
S. Af (Cm)	3.5185-3.5345	1.9655-1.9695
S. Af (Fn)	5.5125-5.6870	3.0770-3.1745
Taiwan	52.75-53.00	29.60-29.70
U.A.E.	6.5735-6.5795	3.6725-3.6735

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts show disappointment

Gilt prices fell sharply in the London International Financial Futures Exchange yesterday. Some dealers were a little surprised at the extent of the fall but others were convinced that the less than enthusiastic response to recent proposals to reduce the US budget deficit suggested a postponement in any plans to hold a G7 meeting.

This in turn could mean that a complimentary move by G7 members, apart from the US, to cut interest rates was likely to be postponed and with cash rates showing no signs of any fall so gilt prices registered their disappointment.

The December price opened at 122-16 down from 122-22 and briefly touched a high of 122-18 before slipping away to a low of 121-04. It closed at 121-08.

Three-month sterling deposits finished a little lower for December delivery but there was little to influence trading apart from the lack of certainty about the proposed cuts in the US budget deficit. Possible resistance within Congress to the budget proposals left most speculators both uncertain and unwilling to take a positive view which was hardly surprising, given the less than enthusiastic response.

In addition cash rates were virtually unchanged, mainly for the same reason. The longer term view suggested that sterling may become a little more vulnerable than it is at present and while the determination of the UK Government to maintain a steady pound was not in question for the time being, most traders saw the downside potential for domestic interest as being rather limited.

Three-month Euro-dollar deposits were lower, closing at 92.48 for spot delivery, unchanged from the opening but down from 92.56 on Friday.

Some tables may be incomplete in this edition.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	5.16	6.20	0.00	0.60
118	3.16	5.05	0.00	1.45
120	1.16	3.41	0.00	2.17
122	0.00	2.37	0.48	3.13
124	0.00	1.63	2.48	4.39
126	0.00	1.17	4.48	5.57
128	0.00	0.53	6.48	7.29
130	0.00	0.33	8.48	9.09

Estimated volume total, Calls 2302 Puts 1951
Previous day's open int: Calls 40956 Puts 33855

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Mar	Calls-Last Jun	Puts-Last Mar	Puts-Last Jun
82	7.22	7.23	0.40	1.29
84	5.51	5.63	1.05	2.05
86	4.27	4.51	1.45	2.57
88	3.10	3.48	2.28	3.54
90	2.09	2.57	3.27	4.63
92	1.25	2.12	4.45	6.18
94	0.56	1.39	6.10	7.45
96	0.34	-	7.52	-

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 780 Puts 264

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Nov	Puts-Last Dec
18000	0.00	3.77	13.50	17.27
18250	0.00	3.18	16.00	19.18
18500	0.00	2.67	18.50	21.17
18750	0.00	2.23	21.00	23.23
19000	0.00	1.85	23.50	25.35
19250	0.00	1.53	26.00	27.53
19500	0.00	1.26	28.50	29.76
19750	0.00	1.05	31.00	32.03

Estimated volume total, Calls 0 Puts 0
Previous day's open int: Calls 48 Puts 145

LIFFE £/$ OPTIONS

[illegible]

LIFFE $/£ OPTIONS

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LIFFE - EUROLLAR OPTIONS

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

FT-SE 100 INDEX

[illegible]

THREE MONTH EURODOLLAR

[illegible]

U.S. TREASURY BONDS 8%

[illegible]

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

[illegible]

IMM-STERLING

[illegible]

LIFFE-STERLING

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

MONEY MARKETS

UK interest rates little changed

INTEREST RATES showed little change in the London money market yesterday. Some period rates may have flirted with a rise of one sixteenth of a point earlier in the day but rates finished unchanged from Friday. Three-month interbank money was quoted unchanged at 9-8⅞ p.c.

Any inclinations earlier on towards a small mark up were principally a reflection of the market's reaction to the proposed US budget deficit cuts. The inconclusive result suggested that a further reduction in UK base rates as a result of another G7 meeting was likely to be delayed for a while.

UK clearing bank base lending rate 9 per cent from November 5

However the flat yield structure from one month to six month suggested that the market was still unsure about longer term trends. Overnight money opened at 9-8¾ p.c. and touched a high of 9¼ p.c. before slipping away to 8 p.c.

The Bank of England forecast a shortage of around £400m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £876m and the unwinding of previous sale and repurchase agreements a further £270m. These were partly offset by Exchequer transactions which added £335m and a fall in the note circulation of £370m. In addition banks brought forward balances £55m above target.

The forecast was revised to a shortage of around £450m and the Bank gave assistance in the morning of £40m through outright purchases of £2m of eligible bank bills in band 1 at 8⅞ p.c. and £38m in band 2 also at 8⅞ p.c.

Further help was given in the afternoon of £257m through outright purchases of £151m of eligible bank bills in band 1 and in band 2 £10m of local authority bills and £96m of eligible bank bills all at 8⅞ p.c. Late help came to £55m, making a total of £352m.

In Frankfurt call money remained steady, reflecting a good supply of liquidity and also hopes that today's securities repurchase tender would see a cut in the minimum tender rate. The last facility offered by the Bundesbank carried a fixed rate of 3.50 p.c. Any lowering of the rate would be seen as a token response to recent proposals to reduce the US budget deficit and the authorities were likely to wait for the next G7 meeting before agreeing to further stimulative measures.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK (Lunchtime)

[illegible]

LONDON MONEY RATES

[illegible]

£ WORLD VALUE OF THE POUND

[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Feb. 88 Vol	Feb. 88 Last	May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Stock
GOLD C	$ 460	45	26	-	-	-	-	$ 469.60
GOLD C	$ 480	238	16	12	27	-	-	"
GOLD C	$ 500	562	10.80	2	18	11	20	"
GOLD P	$ 420	25	3.50	-	-	-	-	"
GOLD P	$ 460	60	10.10	-	-	20	18	
		Dec. 87		Jan. 88		Feb. 88		
EOE INDEX C	FL205	309	3.50	10	6.5	-	-	FL 175.41
EOE INDEX C	FL215	361	2.50	2	4.50	-	-	"
EOE INDEX P	FL155	268	4.60	58	7.50	-	-	"
EOE INDEX P	FL165	268	8.50	83	10.50	-	-	"
$/FL C	FL185	15	4.30	-	-	-	-	FL 187.90
$/FL C	FL190	318	2	5	2.90	-	-	"
$/FL C	FL195	35	0.70	53	1.30	-	-	"
$/FL C	FL200	-	-	15	0.80	-	-	"
$/FL P	FL180	56	1	60	1.70	102	2.60	"
$/FL P	FL185	847	2	38	3.20	-	-	"
$/FL P	FL190	384	4	294	6	-	-	"
$/FL P	FL195	120	8.30	-	-	-	-	"
$/FL P	FL200	33	12.20	-	-	-	-	"
$/FL P	FL205	20	17.20	-	-	-	-	
		Mch. 88		Jun. 88		Sep. 88		
$/FL C	FL180	-	-	-	-	35	10	FL 187.90
$/FL C	FL200	25	1.50	-	-	-	-	"
$/FL C	FL205	-	-	15	1.70	-	-	"
$/FL C	FL210	-	-	6	1.10	20	1.50	"
$/FL P	FL190	15	7.90 A	-	-	-	-	
		Jan. 88		Apr. 88		Jul. 88		
ABN C	FL44	203	1.70 A	-	-	-	-	FL 41.60
ABN P	FL35	16	0.50 A	6	1.10 B	200	2.80 A	"
AEGON C	FL60	22	4.20	10	6	-	-	FL 58.90
AEGON P	FL65	-	-	-	-	20	9 A	"
AHOLD C	FL70	65	4.50	2	5.50	1	7	FL 64
AHOLD P	FL60	11	5	6	5.50	-	-	"
AKZO C	FL90	309	9	4	14.50 A	-	-	FL 91
AKZO P	FL80	577	3.50	66	7	-	-	"
AMEV C	FL60	80	0.60	-	-	-	-	FL 43.50
AMEV P	FL35	15	1.90	-	-	-	-	"
AMRO C	FL55	120	9	5	10 A	-	-	FL 62.10
AMRO P	FL60	124	2.20 B	14	4	-	-	"
ELSEVIER C	FL45	46	1.50	18	3.50	-	-	FL 38.20
ELSEVIER P	FL40	8	4.40	25	6	-	-	"
GIST-BROC. C	FL45	116	0.80	108	1.30	-	-	FL 29.50
GIST-BROC. P	FL27.50	77	2	-	-	-	-	"
HEINEKEN C	FL140	75	5	10	10.50	28	12	FL 126.50
HEINEKEN P	FL110	48	3.80 A	3	7.50 A	-	-	"
HOOGOVENS C	FL30	56	3	6	4.20	-	-	FL 27.50
HOOGOVENS P	FL35	-	-	35	8.50	-	-	"
KLM C	FL45	2	0.40	101	1.20	2	1.80	FL 28.90
KLM P	FL30	134	3.70	70	4.80	6	5.50	"
NEDLLOYD C	FL150	1	3	60	6	-	-	FL 116.30
NEDLLOYD P	FL120	43	13	20	16.50	-	-	"
NAT.NED. C	FL55	100	2.80	12	4.60 B	-	-	FL 52.70
NAT.NED. P	FL50	91	3	-	-	-	-	"
PHILIPS C	FL35	373	1.20 B	51	2.40	38	3.50 A	FL 30
PHILIPS P	FL25	206	1	12	1.80	10	2.50	"
ROYAL DUTCH C	FL220	238	4.80	38	10	-	-	FL 199
ROYAL DUTCH P	FL200	157	10	13	13.50	8	18	"
ROBECO C	FL85	29	5.30	-	-	2	10	FL 83.60
ROBECO P	FL90	15	10	10	12	-	-	"
UNILEVER C	FL120	885	4	25	9	37	10.80	FL 104.50
UNILEVER P	FL90	277	3.50	8	8 A	4	11.50	"

TOTAL VOLUME IN CONTRACTS : 24,802

A=Ask B=Bid C=Call P=Put

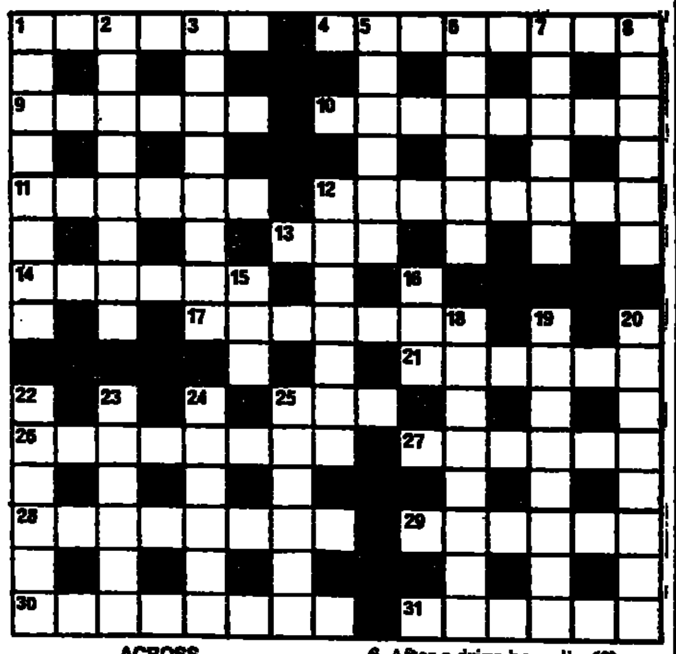
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat. Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl(UK)	9½
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'antee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equat'l TstC'o plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Williams Secs.	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp	§11.1
Bank Credit & Comm	9	● Robert Fleming & Co.	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs.	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust Plc	9
Bank of India	9	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	● Guinness Mahon	9	Westpac Bank Corp.	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	● Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9	Heritable & Gen. Tst.	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co.	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	● Morgan Grenfell	9		
Cayzer Ltd	9	Mount Credit Cpn Ltd	9		

● Members of the Accepting Houses Committee. * 7 day deposits 4%. Sumwise 6.66%. Top Tier-£2,500+ at 3 months' notice 8.31%. At call when £10,000+ remains deposited. § Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.125%

FT CROSSWORD No.6,490

SET BY DANTE



ACROSS

1 But not how boxers settle matters (6)
4 Keen to be in the resort of Paignton (8)
9 A very early deity (6)
10 What the bride says afterwards won't be in church (8)
11 Breakfast in bed? (6)
12 Not a description of a housekeeper? (8)
13 One type may get excited, another keeps cool (3)
14 Didn't push on against desert storm (6)
17 Runs out of drinks (7)
21 Field a ball perhaps (6)
25 Dad's silent partner (3)
26 One who insists on giving direction to a trout catcher (8)
27 Pay out and relax (6)
28 Work on some other material (8)
29 He wrote a letter in Greek to a Roman (6)
30 Possibly relating to the whole (8)
31 An egg I scrambled, obviously not new laid (6)

DOWN

1 Nutty biscuits (8)
2 Resting, one's ripe for change (2,6)
3 Stays around (8)
5 Strange child is often a favourite (4,2)
6 After a drive he walks (6)
7 Branch of the deer family (6)
8 Unorthodox Easter saint (6)
12 Hide the port (7)
15 Shadow on the log hearth (3)
16 Certainly a feature of every estate (3)
18 Bridge champion gets a hiding (8)
19 Disease of more than one fruit, we hear (8)
20 He'd a strange wish to be reckless (8)
22 African soldier to request change of air (6)
23 Inferior saucepan (3-3)
24 King is jolly good sport (6)
25 Despite having a stony stare, she may be amused (6)

Solution to Puzzle No.6,489

```
DECIDED TOOTING
E O U E R P N R
PANIC BOOKPLATE
O S A A O R P N
SHORTSTOP EXTRA
E R   A   S   D
DETER BRIMSTONE
  E E L N O V  
GIDDINESS REEVE
E   N   O   R N
STAFF TOLERATED
T D O W V U A U
UNDERLINE LASER
R L C S N E K E
EVEREST THRUSTS
```

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	357.7	376.7	—	–
Eb'r Ph. Eq.	304.1	323.2	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	147.9	155.6	+6.9	–
International Acc.	115.9	121.9	+0.2	–
Property Acc.	117.8	124.0	—	–
Fixed Interest Acc.	152.5	160.5	+0.5	–
Money Acc.	129.4	136.2	+0.1	–
Bldg. Soc. Link Acc.	130.7	137.5	—	–
Special Mngd. Acc.	135.0	142.1	+3.4	–
Phoenix/Framlington				
Inptl. Growth Acc.	74.5	78.4	+0.1	–
Amer. & Gen. Acc.	70.0	73.6	+0.3	–
Capital Tst. Acc.	155.9	164.1	+0.9	–
Japan & Gen Acc.	150.5	158.4	+1.1	–
American Tstn. Acc.	68.5	72.1	–0.3	–
Recovery Tst. Acc.	143.6	151.1	–0.2	–
Special Mngd Acc.	125.4	132.0	–1.4	–
Phoenix/GT				
International Acc.	109.9	115.6	+0.8	–
US & General Acc.	78.9	83.0	+0.3	–
Amer Spec. Sits. Acc.	83.0	85.7	+0.6	–
Japan & General Acc.	146.0	153.6	+1.9	–
Far East & Gen. Acc.	122.1	128.5	+2.1	–
UK Capital Acc.	140.6	148.0	+1.0	–
European Acc.	125.0	131.5	+1.4	–
Special Mngd. Acc.	109.5	115.2	–1.4	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1987 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	97	Treas 7¾pc 1985-88‡‡	[illegible]	—	7.77	8.43
102	[illegible]	Exch 10½pc '88	[illegible]	—	10.42	8.99
101	[illegible]	Treas 9¾pc Cv '88	[illegible]	—	9.69	8.59
98	93	Transport 3pc '78-88	[illegible]	-⅛	3.06	6.58
101	98	Treas. 9½pc '88	[illegible]	—	9.44	8.66
105	101	Treas 11½pc 1989	[illegible]	—	11.17	8.87
102	97	Treas 9½pc Cnv 1989	[illegible]	—	9.42	8.80
96	89	Treas 3pc 1989	[illegible]	—	3.14	6.25
104	99	Treas 10½pc 1989	102	—	10.26	8.85
103	98	Exch 10pc 1989	[illegible]	—	9.84	8.95
105	100	Exch 11pc 1989	[illegible]	—	10.64	8.93
96	89	Treas 5pc 1986-89	[illegible]	—	5.24	7.41
108	99	Exch 10½pcCv '89	[illegible]	—	9.78	7.57
111	104	Treas 13pc 1990‡‡	[illegible]	—	12.07	8.89
106	100	Exch 11pc 1990‡‡	[illegible]	—	10.58	8.92
110	103	Exch. 12½pc 1990	[illegible]	—	11.65	8.95
92	84	Treas. 3pc 1990	[illegible]	—	3.26	6.58
100	93	Treas 8¼pc 1987-90‡‡	[illegible]	—	8.33	8.49
105	97	Treas. 10pcCv 1990	[illegible]	—	9.74	8.95
91	81	Exch 2½pc 1990	[illegible]	—	2.79	6.33
110	102	Treas 11¾pc 1991	[illegible]	-⅛	10.94	9.01
95	87	Funding 5¾pc '87-91‡‡	[illegible]	-⅛	6.14	7.92
90	80	Treas. 3pc 1991	[illegible]	—	3.38	6.67
110	98	Treas 10pc Cv '91 ‡‡	[illegible]	—	9.54	8.41
109	[illegible]	Exch. 11pc 1991	[illegible]	—	10.32	8.95
99	91	Treas. 8pc 1991	[illegible]	—	8.25	8.90
114	107	Treas 12¾pc 1992‡‡	[illegible]	—	11.31	9.00
106	97	Treas 10pc 1992	[illegible]	—	9.67	8.97
99	90	Treas. 8pc 1992 ‡‡	[illegible]	—	8.27	8.89
108	99	Treas 10½pc Cv 1992‡‡	105	—	9.97	9.01
86	79	Treas. 3pc 1992	[illegible]	—	3.74	8.05
115	105	Exch. 12¼pc '92	[illegible]	—	10.95	9.08
121	110	Exch 13½pc 1992	[illegible]	—	11.58	9.11

Five to Fifteen Years

1987 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
107	97	Treas 10pc 1993‡‡	[illegible]	—	9.62	9.05
118	107	Treas 12½pc 1993‡‡	114	—	10.90	9.09
95	82	Funding 6pc 1993‡‡	[illegible]	—	6.63	8.07
125	113	Treas 13¾pc 1993‡‡	[illegible]	—	11.39	9.17
129	117	Treas 14½pc 1994‡‡	125	—	11.60	9.16
124	112	Exch 13½pc 1994	[illegible]	—	11.23	9.24
107	97	Treas. 10pc Ln. 1994‡‡	[illegible]	—	9.59	9.12
120	106	Exch. 12¼pc 1994	[illegible]	—	10.79	9.25
105	92	Treas 9pc 1994‡‡	[illegible]	—	9.01	9.02
118	105	Treas 12pc 1995	[illegible]	—	[illegible]	[illegible]

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
43¾	26	RJR Nabisco Inc	27¾	+½	$1.60	–	3.3
39	21½	Rep NY Corpn $5	22⅞	+½	$1.16	–	2.9
18¾	8¾	Rockwell Intl. $1	10¾xd	-⅛	66c	–	3.7
30¾	16¼	Sara Lee $1(1/3)	19¾xd		$1.00	–	3.0
11¾	8⅞	Saul (B. F.) $1	9¼	-⅛	20c	–	1.3
27½	2¼	Southwestern Bell $1	19⅝		h$2.32	–	6.7
22¼	10½	Staley Continental	10⅝	-¼	80c	–	4.5
44¾	21⅝	Sun Co. Inc. $1	27¾	+½	$3.00	–	6.2
42¼	22¼	TRW Inc. $0.625	23¾xd	-⅛	h$1.60	–	3.9
37⅞	22⅝	Tenneco $5	22⅞xd	+⅛	$3.04	–	7.6
220	149½	Do. 10pcLn.Stk. 91-5	150xd		10%	–	14.7
29⅝	16⅛	Texaco $6.25	16⅝xd	-⅛	$3.00	–	10.7
74¾	42⅞	Time Inc. $1	42⅞xd	-⅛	$1.00	–	1.3
20⅞	11	Tracor $0.33(1/3)	17¼xd		40c	–	1.3
30⅝	15⅞	Transamerica $1	12⅛xd	-⅛	$1.84	–	5.9
14⅞	1¼	Transworld Corp $5	739p	-17	20c	–	1.6
27¼	12¼	TRINOVA Corp	14⅛xd	+⅛	56c	–	2.3
24¾	12⅝	USX $1	15⅜	-⅛	$1.20	–	4.6
19⅝	10⅞	Union Carbide $1	11⅞xd	-⅛	$1.50	–	7.3
37⅞	17¼	Utd. Technologies	17¾xd	-⅛	$1.40	–	4.7
38¾	26¼	US West1	28⅛		$3.28	–	6.7
30½	17⅛	Waste Management $1	19½	+⅛	–	–	–
31⅞	13¼	Whirlpool $1.0	14⅞	-⅛		–	–
37¼	18½	Woolworth $3½	[illegible]	[illegible]	$1.32	–	4.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

4A

LONDON SHARE SERVICE

INSURANCES — Contd

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	385	+17	†10.5	—	4.6	—
*£11½	733	Prudential	775	+10	†29.0	—	5.0	—
598	350	Refuge 5p	[illegible]		15.75	—	5.6	—
595	345	Royal	383	+10	[illegible]15.5	—	5.5	—
110	65	Sabre Ins. [illegible]	93		—	—	—	—
*345	168	Sedgwick Group 10p	188	+3	12.0	1.7	8.7	8.0
339	138	Steel Burrill J.10p	185	−3	[illegible]	2.0	8.0	8.6
668	403	Stewart Wr. 20p	[illegible]		†13.0	2.0	2.9	21.9
612	303	Sturge Hldgs 20p	[illegible]	−3	[illegible]	2.5	2.3	22.9
[illegible]	645	Sun Alliance	[illegible]	+2	[illegible]	—	3.9	—
[illegible]	865	Sun Life 5p	[illegible]	+3	[illegible]	—	4.3	—
[illegible]	[illegible]	Taisho M EDR	[illegible]	[illegible]	[illegible]	—	1.0	—
[illegible]	[illegible]	Torchmark $1.00	[illegible]	[illegible]	[illegible]	—	3.9	—
410	235	Trade Indemnity	357	+7	[illegible]	—	[illegible]	—
[illegible]	[illegible]	Travelers $1.25	[illegible]	[illegible]	$2.28	—	6.7	—
[illegible]	[illegible]	USF & G Corp $2.50	[illegible]	[illegible]	[illegible]	—	7.2	—
[illegible]	[illegible]	USLIFE Corp. $1.0	[illegible]	[illegible]	[illegible]	3.2	4.3	7.3
738	555	Wind Friendly B 10p	[illegible]	+30	[illegible]	—	4.4	—
464	202	Willis Faber 22½p	226	+2	†10.75	2.4	6.8	8.2
128	41	Windsor Secs. 10p	62	−2	[illegible]	1.5	1.8	—

LEISURE

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
35½	10	A & M Group 10p	15		—	—	—	—
242	92	Airtours 10p	95		[illegible]	1.5	8.0	11.2
*549	285	Anglia TV	287	+2	[illegible]11.25	3.3	5.4	8.0
308	78	Arley	125		—	—	—	—
194	94	Aspinall Hldgs. 10p	96		6.0	1.3	8.6	11.2
142	63	Avesco 1p	73	+3	0.5	6.7	0.9	20.6
72	40	BBCE Hldgs 5p	54		L0.0	[illegible]	2.5	[illegible]
300	132	Barr & W.A.T. 'A'	235		18.0	1.4	5.1	17.5
58	22	Bond Media	26		—	—	—	—
235	165	Boosey & Hawkes	165	−10	—	—	—	—
83	28	Border T.V.	39	+2	1.4	[illegible]	4.9	[illegible]
*439	[illegible]	Brent Walker 10p	275	+2	[illegible]	2.2	5.0	13.3
124	79	Do 6pc Cu.Cm.Rd.Pf.	[illegible]	+1	[illegible]	—	9.2	—
[illegible]								

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES — Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

*New time dealings may take place from 8.00am two business days earlier.

Equities move higher in thin trading but Government securities turn downwards

THE UK STOCK market surprised itself yesterday by rising sharply as investment attention was switched back to the domestic scene in the wake of the accord in Washington on plans to cut the US budget deficit. The backcloth to a sharp recovery in share prices was set by the picture of confidence among UK manufacturers disclosed by the latest survey of business opinion taken by the Confederation of British Industry.

The FT-SE 100 Index, up by more than 30 points in early trading, closed a net 24.3 higher on the day at 1657.7, buoyed at the close by Wall Street's success in resisting initial selling pressures.

But there was one important caveat entered against the brighter picture as the London equity market moved into the new trading account. Turnover, which was turgid for most of last week, remained disappointingly low yesterday. Only £315.1m worth of shares had been traded through the Seaq system by 5.00pm,in line with recent daily totals but a far cry from the £2.5bn to £3bn chalked up daily during the market crash.

The equity market was also a prey to technical factors. Share prices opened lower as marketmakers took the view that investors would focus on the lukewarm comments on the US budget move reported in the weekend press. Also still upsetting the market were rumours of renewed financial troubles at major firms. Barclays de Zoete Wedd last week disclosed a loss of $18m to date this year, and S.G.Warburg, another leading marketmaker,is due to announce trading figures tomorrow. But,lacking a lead from Tokyo, which was closed for a holiday, UK investors preferred to concentrate on the CBI survey, which supported confident views of the UK economy and also indicated that the stock market crash had not slowed business expansion.

Share prices quickly turned upwards when some fund managers made a very limited buying foray into the marketplace. The market quickly moved surged ahead, but found the higher levels hard to sustain once the thinly scattered buyers had withdrawn.

The slide in the dollar upset London as it waited for Wall Street to open, and an initial downturn in New York pushed London down again. But the UK market recovered its poise as Wall Street fought back, and by the end of the day, the UK market was edging upwards again.

Analysts expressed concern over the sluggish trading levels, but also commented that the FT-SE Index appears to be holding onto a trading range of 1500 to 1700.

Turnover was little better in the Government bond sector, where prices fell away as the prospects for an early G7 meeting on interest rates and currencies appeared to recede. Retail interest was thin, and losses ranged to a full point at the longer end by the end of the session.

Short-dated issues were also weaker as London money market rates continued to signal that domestic interest rates are unlikely to fall in the near term - fails ranged to around ⅜.

But there was further determined buying of the Index-linked Gilt-edged (IL) stocks, which brought into play once again the authorities' tap stock - Treasury 2½ per cent of 2001. As expected, the stock was sold at 109 yesterday, and traders believed that a substantial part of the £100m stock had been taken out by the end of the day.

Index-linked stocks have been bought over the past week as a safe and profitable switch out of the equity market. IL issues are fairly thin markets, and yesterday's buying was enough to add ½ to prices.

Among the blue chips, the firmness in the pound failed to upset upset such leading stocks as ICI, or **Jaguar**. **BAT Industries** and **Courtaulds**, both with trading figures due this week, benefited from the initial spur of buying from major institutions. **Rothmans "B"** shares moved up smartly, also with profit figures in view. A firm bullion price pushed **Consolidated Goldfields** ahead.

In the brewery sector, shares continued to respond to the buoyancy of UK consumer spending levels. **Whitbread** closed firmly, despite a bearish circular from Morgan Grenfell which market the shares a "sell, advising clients to switch into Grand Metropolitan. Morgan is critical of Whitbread's recent purchase of James Burrough, the US drinks group which, it claims, has wrought "substantial dilution" in Whitbread earnings.

British Telecom shares moved ahead to 226p before turning easier late in the session to close a net 6 higher at 225p ahead of the interim results which are scheduled for Thursday.

Analysts forecasts for the second quarter are all around the £560m pre-tax mark, giving a half-year total of some £1.12bn against the £1.06 bn for the comparable period lastyear.

The clearing banks moved ahead but dealers said turnover in the sector was no more than routine. **Barclays** shrugged off comment on the losses sustained by its securities arm BZW and moved up 8 to 441p, after 443p. NatWest, still regarded by many leading analysts as the prime choice among the big four, rose 12 to 545p helped by favourable Press comment. **Lloyds** were 3 up at 238p but **Midland** dipped 5 to 370p.

Merchant banks, upset last week by the BZW news, provided two firm features in **Morgan Grenfell** and **SG Warburg**. **Morgan Grenfell** shares spurted 22 to 265p, after 270p, amid talk ofa stock shortage and rumours that a possible predator could well be building a significant holding in the bank; Alan Bond was mentioned as a possible buyer of the company.

SG Warburg added 12 at 315p ahead of interim figures due on Wednesday; analysts are talking of pre-tax profits in the region of £50m pre-tax against £38m in the same period last year. But **Kleinwort Grieveson** dipped 5 to 295p, while **Hambros**, scheduled to announce interim figures today - Kleinwort Grieveson are forecasting £36m and County NatWest £32.1m - were a fraction easier at 226p. **Smith New Court** - the only quoted independent securities house, rallied 15 to 200p.

Life assurances were buoyant led by **Abbey**, 5 firmer at 229p after a "buy" recommendation from Wood Mackenzie. Pearl jumped17 to 325p. In brokers **Willis Faber** initially moved up to 220p mirroring the sharp rise in Morgan Grenfell- where Willis has a near 22 per cent stake - but later eased to close only 2 up on balance at 216p.

Third Market newcomer **ML Laboratories**, a healthcare group, staged a successful debut; the shares, placed at 70p, opened improved 4 to 367p. **Wardle Storeys**, helped by favourable Press mention, rose 11½ to 510p.

A handful of firm features emerged in the stores sector. **Ratners** were persistently bought and moved up 15 to 250p. **Burton Group** remained one of the best performers in the sector with brokers continuing to recommend the shares after the recent excellent figures and reflecting the good growth prospects; the share price touched 244p before easing late to close a net 10 higher at 242p.

Coats Viyella advanced 9 to 252p after comment on the recent analysts visit to the company's Brazilian operationstriggered another round of strong buying interest.

Storehouse, 264p, and **Marks and Spencer**, 182p, managed minor gains but Next continued to suffer from worries over the possibility of flagging sales and the shares drifted back a further 4 to 261p.

Elsewhere, **Alexon**, due to announce interim figures on Monday, touched 287p before closing a net 10 higher at 285p.

The Electrical leaders made rapid progress, ut tended to close a shade below the day's best levels. **GEC** put on 6½ to 170p in response to favourable Press comment while **Plessey**, upset last week by the disappointing results, picked up 5 to 134p.

Thorn-EMI surged ahead to close 15 higher at 524p after the weekend Press gave prominence to bullish noises from analysts returning from the visits to Thorn's research unit at Hayes in Middlesex, and the HMV record store in Oxford Street, as well as the presentations on its other subsidiaries; in addition it was mooted that the sale of the stake in Inmos could well take place in a couple of weeks after interest from four companies. Kleinwort Grieveson rates Thorn-EMI "the most attractive of the majors in the sector".

Racal Electronics put on 9 to 230p, after 233p, after US group Millicom Inc announced it had reduced its stake to 36.25m shares or 5.79 per cent of the issued capital; Millicom acquired its Racal interest last December when the latter bought out Millicom's stake in the Vodafone cellular radio network.

STC, favourite of a number of leading broking houses, added 9 to 196p in a brisk turnover that topped 6m shares. **Ferranti** also performed well and posted a 5 gain at 77p. **Amstrad** rallied strongly and closed 7 to the good at 113p. **Cable & Wireless** were quietly firm and finally 295p in front of tomorrow's interim results; Kleinwort Grieveson are going for £176m pre-tax, Wood Mackenzie for £175m and County NatWest for £170m.

P-E International, still depressed by the resignations of the managing director and the finance director last week, dipped 5 more to 180p.

Engineers were selectively firm. **GKN** improved a penny to 266p, after 270p, and **Glynwed** rose 6 to 392p. **Vickers** picked up 8 at 148p and **TI** firmed 11 to 257p. Elsewhere, **Powerscreen** gained 7 to 120p ahead of the imminent half-year figures. **Aurora** added 4 to 64p and Birmid hardened 3 to 197p.

Foods gave a lack-lustre performance. **Rowntree** made progress in a restricted market and closed 16 higher at 403p, but fellow confectionery major **Cadbury Schweppes**, despite favourable Press comment, were only marginally better at 220p. **Fitch Lovell** gained 14 to 268p as bid rumours resurfaced, while in the Retailing sector, **William Morrison** attracted buyers and put on 9 to 261p.

Hotels staged a moderate revival, **Grand Metropolitan** rising 7 to 394p and **Ladbroke** 9 to 313p. **Trusthouse Forte**, deemed oversold, rallied 9½ to 207p and **Mount Charlotte**, boosted by publicity given to a broker's circular, added 5 to 104p.

International issues advanced across a broad front. **Beecham** attracted strong support and moved up to close a net 10½ higher at 438p xd, while **Glaxo** spurted ⅜ to £10⅝. **Reuters "B"** improved 12 to 434p, after 438p.

British Airways edged up 1½ to 144p xd despite rumours that Scandinavian airline SAS could well move in with a bid to acquire a stake of between 40 to 50 per cent of British Caledonian - currently subject to a BA bid worth around £160m.

Hanson Trust, scheduled to announce preliminary figures on Thursday week, edged up 4 to 130p on a turnover of 5.5m shares.

British Airports Authority were 3 higher at 108p, after 109p,in front of today's interim figures; County NatWest are forecasting pre-tax profits of £138m, compared with the £108m earned during the same period last year.

BET came off sharply after the interim results and settled a net 8 to 216p. **Chamberlain Phipps'** half-year figures, up from £2.4m to £3.37m, were discounted and the shares held at 141p. **Rexmore** shares hardened a couple of pence to 50p in the wake of the interim profits advance.

Elsewhere, **Pilkington** were aggressively bought and raced up 17 to 213p on news that the company's chairman is addressing Japanese institutions in Tokyo this week. **Bridon** were a strong market and ended the session a net 6 higher at 105p amid persistent market rumours that a stake-building exercise is currently in progress.

In the Motor sector, **Jaguar** attracted support following publicity given to a broker's circular and rose 10 to 301p. **Lucas** moved within narrow limits and closed slightly easier at 494p, but **Rover**, boosted by profit expectations, gained 10 to 75p.

Attention in Properties was, with odd exceptions, concentrated upon leading issues. **Land Securities** moved up 10½ to 440p xd and **MEPC**, reporting shortly, added 5 to 430p. Bid rumours gave added impetus to **Peachey** which put on 15 to 340p, while **Hammerson A** revived with a gain of 8 at 433p. Press comment helped **Capital and Counties** rise 15 to 295p, but **Property Partnerships** failed to benefit from increased half-year profits and a confident statement and closed unchanged at 250p. Buyers returned for **Helical Bar** which touched 170p prior to closing 15 higher at 167p.

Oil and gas shares gave ground during the morning, butpicked up later in the session to close with minor changes in either direction.

The better trend followed a relatively firm showing by crude oil prices - Brent crude for January delivery moved back through the $18 barrel level and touched $18.10 at one point before eventually closing a net 10 cents higher at $18.

Shell still showed a 17 fall at 983p, while more modest losses were recorded by **British Gas**, 2 off at 130p, and **Britoil**, 3 cheaper at 189p. Rumours that testing of the offshore Wytch Farm well 98/7-2, carried out last Thursday, hadrevealed highly encouraging results gave a boost to participants **Clyde**, 3 up at 91p, **Carless**, 2 harder at 79p and **Premier** 3½ better at 51p. But a large selling order restrained **Tricentrol**, unchanged at 81p.

Traded option business tailed off with only 22,979 contracts recorded. Calls amounted to 15,308 and puts 7,671. The **FTSE** contract attracted only 834 calls and 846 puts. **British Gas** were relatively active with 1,514 calls and 518 puts. **Hanson Trust** registered 1,742 calls and 1,159 puts.

FINANCIAL TIMES STOCK INDICES

	Nov. 23	Nov. 20	Nov. 19	Nov. 18	Nov. 17	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	90.61	91.03	90.89	90.70	90.74	81.32	93.32 (8/5)	83.73 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.91	95.64	95.28	95.64	95.34	88.42	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1309.4	1285.7	1289.9	1309.3	1310.6	1282.6	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	293.0	287.2	296.9	285.5	284.0	291.7	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.73	4.82	4.80	4.73	4.73	4.43				
Earnings Yld. %(full)	11.71	11.93	11.86	11.70	11.68	10.26				
P/E Ratio (net)(*)	10.43	10.25	10.30	10.45	10.47	11.91				
SEAQ Bargains (5pm)	24,205	28,924	22,180	24,702	26,011	27792				
Equity Turnover (£m)	-	903.81	888.29	1818.04	1072.92	954.89				
Equity Bargains	-	30,167	25,130	29,735	30,235	36,762				
Shares Traded (ml)	-	481.4	437.9	646.5	658.2	422.7				

S.E ACTIVITY Indices	Nov.20	Nov.19
Gilt Edged Bargains	109.7	103.1
Equity Bargains	195.5	162.8
Equity Value	1826.8	1795.5
5-Day average		
Gilt Edged Bargains	115.1	119.3
Equity Bargains	202.2	230.3
Equity Value	2419.3	2980.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1284.8	1295.1	1307.9	1311.3	1313.9	1311.1	1312.0	1306.0

Day's High 1313.9 Day's low 1283.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.29.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (1).
CHEMICALS (1) Anchor Chemical.
NEW LOWS (71).
AMERICANS (11) CANADIANS (8) BANKS (8) BREWERS (1) BUILDINGS (2) STORES (1) ELECTRICALS (3) FOODS (4) INDUSTRIALS (9) INSURANCE (2) LEISURE (1) MOTORS (1) PROPERTY (3) TRUSTS (11) OILS (3) MINES (8) THIRD MARKET (1).

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declarations Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks to attract money for the call included **Blacks Leisure, Lonrho, Fletcher D, Hawley, Charterhall, Cluff Oil, Hanson, Bond Corp,Apricot Comp, W. Lawrence, Phicom, Aran, Sound Diff, Norfolk Caps, Natwest, Dares Est and J. Williams.**

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	2,300	English China Clays	376	Plessey	3,800
Allied-Lyons	878	Enterprise Oil	199	Prudential	463
Amstrad	1,200	Fisons	656	Racal	1,600
Argyll Group	717	Gen. Accident	207	Rank Org.	572
Assoc. Brit. Foods	307	Gen. Elect	5,550	RMC	220
BAA	503	Glaxo	1,600	RHM	632
BAT	4,400	Globe Investment	62	Reckitt & Col.	238
BET	1,800	Granada	735	Redland	555
BICC	555	Grand Met	731	Reed Intl.	2,600
BOC	1,000	GUS A	143	Reuters	1,380
BPB Inds	236	Guardian R.E.	169	RTZ	491
BTR	860	GKN	855	Rolls-Royce	1,100
Barclays	1,700	Guinness	3,100	Rothmans	395
Bass	279	Hammerson	227	Rowntree	625
Beecham	3,000	Hanson Trust	5,500	Ryl Bank Scotland	2,400
Blue Arrow	4,500	Hawker Sidd	80	Royal Insurance	1,100
Blue Circle	926	Hillsdown Hldgs	845	STC	6,000
Boots	1,200	IMI	135	Saatchi & Saatchi	886
Brit. Airways	1,500	ICI	1,500	Sainsbury	715
Brit. Aero	1,900	Jaguar	2,200	Scott & Newcastle	344
Brit. & Comm.	437	Ladbroke	864	Sears	1,000
British Gas	7,400	Land Securities	1,150	Sedgwick	763
Britoil	2,800	Laporte	71	Shell Trans	1,300
BP	3,700	Legal & Gen.	838	Smith & Nephew	815
Brit. Telecom	2,500	Lloyds Bank	1,900	Standard Chart.	143
Bund	256	LASMO	1,300	Storehouse	166
Burmah Oil	16	Lonrho	797	Sun Alliance	264
Burton	1,400	Lucas	321	T & N	409
Cable & Wire	3,100	MEPC	866	TSB	1,000
Cadbury Schwps	1,700	Marks & Spencer	1,100	Tarmac	600
Coats Viyella	1,100	Maxwell Comms.	683	Tesco	869
Comm. Union	579	Metal Box	361	Thorn EMI	3,500
Cons. Gold	183	Midland Bank	566	Trafalgar House	787
Cookson	164	NatWest Bank	1,700	T'house Forte	989
Courtaulds	470	Next	958	Ultramar	4,300
Dalgety	502	Northern Foods	224	Unilever	488
Dee Corpn	3,500	Pearson	214	United Biscuits	1,200
Dixons Group	1,200	Pearl Assurance	252	Wellcome	1,900
		P & O	790	Whitbread A	1,500
		Pilkington Bros	2,300	Woolworth	105

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	10	93	12
Corporations, Dominion and Foreign Bonds	9	22	22
Industrials	699	254	612
Financial and Properties	223	110	298
Oils	29	30	52
Plantations	2	4	8
Mines	64	43	90
Others	77	91	90
Totals	1,113	647	1,184

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

Monday November 23 1987

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

November 23 Total Contracts 22,979 Calls 15,308 Puts 7,671

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 49

[illegible]

CANADA

TORONTO
Closing prices November 23

[illegible]

MONTREAL
Closing prices November 23

[illegible]

Indices

NEW YORK DOW JONES

[illegible]

STANDARD AND POORS

[illegible]

N.Y.S.E. ALL COMMON

[illegible]

TORONTO

[illegible]

* Indicates pre-close figure

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Mcdermot	4,243,200	16	+ 3/8	IBM	2,428,300	117¾	+ 1⅞
Dacque It	4,046,200	12	—	Storage Technol	2,399,000	1⅛	—
Sonat	3,205,800	25⅞	- ⅛	Exxon	2,221,400	40¼	+ ⅞
AT&T	2,910,900	28¼	—	General Electric	2,154,900	45⅛	+ 1⅞
Kan-cy pwr	2,797,800	26¼	- ⅞	Dominion Res	2,007,900	43⅝	- ⅝

** Saturday November 21 Japan Nikkei (c). TSE (c)

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Metals – 500; NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed.(u) Unavailable.

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Anchor Chem	575	+150
Bridon	105	+ 6
Burton Group	242	+ 10
Coats Viyella	252	+ 9
Diploma	163	+ 14
Engl. Ch. Clays	363	+ 19
GEC	170	+ 6½
Glaxo	£10⅝	+ ⅜
Helical Bar	167	+ 15
ICI	£10⅝	+ ½
Morgan Grenfell	265	+ 22
Morrison (Wm)	261	+ 9
NatWest Bank	545	+ 12
Pilkington	213	+ 17
Racal Elect	230	+ 9
Ratners	250	+ 15
Redland	369	+ 9
Rover Group	75	+ 10
Rowntree	403	+ 16
STC	196	+ 9
Smith N. Court	200	+ 15
Thorn EMI	524	+ 15
Warburg (S G)	315	+ 12

FALLS:

Exch 12¼% 1999	£118¾	−1½

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14¾	AAR s	.36	2.0	17	109	18⅛	17⅝	18⅛	+¼
32½	16¼	AFG s	.16	.7	8	550	23⅞	23⅛	23⅜	−¼
27	10½	AGS s			13	47	15	14⅝	15	+⅛
10½	6½	AMCA				14	6¾	6½	6¾	+⅛
9⅝	3¼	AM Intl			43	526	5	4⅝	4¾	−¼
65½	29½	AMR			9	2627	32	30⅞	31½	+¼
25	19	ANR pf2.12		10.		10	20¾	20¾	20¾	+¼
12¼	6⅜	ARX s			7	204	6⅞	6⅝	6¾	−⅛
73½	34½	ASA	2a	4.3		1612	48⅝	44¾	47	+2⅜
22⅝	9½	AVX			16	130	13⅛	13	13	−⅛
67	40	AbtLab	1	2.2	18	4056	46½	45⅝	46¼	−⅛
28	15⅝	Abitibi g				27	17¾	17½	17⅝	+⅛
16¾	8½	AcmeC .40		4.3	13	131	9½	9	9¼	+¼
10½	6⅛	AcmeE.32b		4.3	25	6	7½	7⅜	7⅜	−⅛
20	14⅛	AdaEx 3.34e		20.		204	17¾	16⅝	16⅝	−1
19½	7¾	AdmMl s .24		2.7	7	16	9¼	8⅞	8⅞	−⅛
35	16⅛	AdvSys			15	134	24¾	23½	23½	−1¼
24⅞	9⅜	AMD				2039	10⅛	9⅝	10⅛	+¼
56¾	30⅜	AMD pf	3	9.6		186	31⅜	31	31¼	+⅜
11⅞	4⅜	Adobe				154	4⅞	4¾	4⅞	
20½	15½	Adob pf 1.84		11.		3	16⅞	16¾	16⅞	+⅜
21⅞	17	Adob pf 2.40		12.		11	19⅞	19¾	19¾	
16	6⅛	Advest .12a		1.5	6	267	8⅜	7¾	8⅛	+¼
66¼	46	AetnLf 2.76		5.8	6	2536	48⅛	47¾	47¾	−1¼
63½	33	AfilPb s .32		.7	7	351	45⅝	44⅞	44⅞	−¾
26⅞	14¼	Ahmans88		6.0	6	2794	14¾	d14⅛	14⅝	+⅛
5⅜	1⅞	Aileen				61	2⅜	2¼	2¼	−⅛
53⅞	29	AirPrd	1	2.8	13	1009	36½	35¼	36¼	+1
36	11½	AirbFrt .60		4.6	8	302	13½	12¾	13⅛	+⅜
16½	7⅝	Airgas n			14	41	9¾	9⅜	9¾	+⅜
19½	13½	AirleasB.11e		14.	9	36	15¾	15½	15½	−¼

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40	18	Petrie	.70	3.7	12	738	20	18¾	19	−1
21¼	15½	PtPar	n 2	12.	12	317	17⅜	17	17¼	
33½	23⅛	PetRs	3.96e	16.		3061	25⅜	24⅞	25¼	−¼
19¾	15	PetRs	pf1.57	10.		150	15½	15¼	15½	−½
2⅛	1	PtrInv	.16e	14.		131	1¼	1⅛	1⅛	
77	40	Pfizer	1.80	3.5	12	3069	51⅜	50¾	51¼	−⅜
48	20	PhelpD	.60	1.6	20	2095	38⅝	37¾	38½	+1⅛
74	37	PhlpD	pf 3	5.4		328	55	54½	55	+1¾
25	16⅜	PhilaEl	2.20	11.	9	1760	19½	19¼	19½	−⅛
45½	34	PhE	pfA3.80	8.8		z300	43	43	43	+1
54	39	PhE	pfD4.68	11.		z50	42½	42½	42½	−½
97⅛	69	PhE	pfG8.75	11.		z120	78	77¼	78	+1
13¾	11	PhE	pfR1.41	12.		98	12⅛	11⅞	12⅛	+⅛
13¼	9⅞	PhE	pfP1.33	11.		39	11⅜	11⅜	11⅜	
88⅜	65⅜	PhE	pfH7.85	11.		z100	72½	72½	72½	+½
12⅞	9¾	PhE	pfO1.28	11.		30	11½	11⅛	11¼	−¼
120½	110	PhE	pfM15.25	13.		z820	115½	114	114	−1½
105	89½	PhE	pfL9.52	11.		z60	90⅝	90⅝	90⅝	−⅞
103	79	PhE	pfK9.50	11.		z10	85	85	85	
88	64	PhE	pfJ7.80	11.		z150	71½	71½	71½	

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅞	16⅛	Yorkin			9	178	21⅞	21¼	21⅞	+⅜
7¼	2¼	Zapata				299	3	2⅞	2⅞	−⅛
37	14⅝	Zayre	.40	2.4	6	2720	17¼	16⅝	16⅞	−⅝
15⅜	9¼	Zemex	.40	4.0	9	5	10	10	10	−⅛
33⅝	10	ZenithE				1347	14¼	13¾	14⅛	+¼
13½	3	ZenLab				909	4	3⅝	3⅝	+⅝
28½	13½	ZenNtl	.80	4.7	8	291	17	16¾	17	+⅜
20⅜	11⅜	Zero	.36	2.8	12	207	13	12½	12¾	−½
30¾	15	Zurnin s	.56	3.6	12	140	18⅞	18¼	18⅞	+¼
10⅝	7⅝	Zweig	.85e	7.8		292	8⅝	8⅜	8½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER

Nasdaq national market, closing prices

[illegible]

Continued on Page 47

WORLD STOCK MARKETS

FINANCIAL TIMES

AMERICA

Deficit move leaves Dow cold in uninspired trade

A WEEKEND of reflection on the substance (or lack of it) of the deal announced on *Friday to cut $75bn* off the US budget deficit over the next two years failed to produce a unanimous view in financial markets, leaving equity trading uninspired and quiet, *writes Janet Bush in New York.*

The Dow Jones industrial average closed 9.45 points up at 1,923.08 after a very subdued session. The gain on the day came almost entirely from small-scale buying in the last half hour. Volume, at only just over 143m, was the lowest since October 12.

It is difficult to judge the mood on Wall Street as trading has been so thin. It appears that traders and investors are still absolutely stunned by October's collapse and that securities houses are facing tough behind-doors decisions about their staffing levels in view of substantial losses taken last month, leaving little appetite for active trading.

Having moved last week entirely on the many and varied statements emanating from Congressional leaders involved in the deficit talks, Wall Street was well prepared for the announcement itself on Friday and showed precious little reaction since.

US financial markets remained directionless yesterday with the most obvious reaction taking place in Europe which had marked the dollar down sharply. Weakness in the US currency undermined US Treasury bonds somewhat but movements were limited.

The Treasury's benchmark 8.875 per cent 30-year bond edged ⁵⁄₃₂ point lower to stand at 99.25 by the close to yield 8.88 per cent. Treasury bill rates, on the other hand, were slightly higher, reversing the strong declines throughout last week.

Three-month T-bill rates edged seven points higher to give a bond equivalent yield of just under 5.93 per cent. Trading was extremely quiet.

A large measure of uncertainty persists despite Friday's announcement. First, there is no guarantee the package will be passed into law by Congress and there is still a good deal of vagueness about the cuts planned for the second year. Secondly, the process of analysing the potential impact on the real economy of October's share price collapse continues with few concrete economic releases to go on.

Markets fall to welcome budget deal with open arms

Thirdly, there is uncertainty about whether the Group of Seven leading industrial nations are moving towards scheduling a meeting and how West Germany and Japan, in particular, will respond to the budget package.

US markets appeared yesterday to be less negative than European markets which had put pressure on US bonds and sold the dollar sharply lower. The US currency moved little during New York trading after European markets closed.

Mr David Morrison, chief international economist for Goldman Sachs in London, identifies three major sources of disappointment about the deficit package.

First, there was disappointment that $5bn of the $30bn cuts scheduled for the current fiscal year 1988 came from asset sales.

Secondly, uncertainty remains whether the package will be passed by Congress. Even it if is, the process will leave markets uncertain for another few weeks.

Thirdly, he says there is a realisation that, even if the package is passed, the Federal deficit for the current fiscal year could still be higher than last year's shortfall. Mr Morrison forecasts a deficit in fiscal 1988 of perhaps $170bn to $180bn compared with $148bn in the fiscal year just ended.

This widespread scepticism has been balanced in the US, however, by relief that the package seems to have averted the across-the-board cuts required under the Gramm-Rudman-Hollings law.

The major news item yesterday was the announcement by Shearson Lehman Brothers that it had been contacted by E.F. Hutton Group, regarding a possible merger and that it intended to begin merger talks soon. E. F. Hutton's shares jumped $7⅛ on the news to $27⅞ while Shearson Lehman edged only $¾ higher to $15½.

Among other brokerages, Salomon Brothers picked up $1⅛ to $18⅞, Merrill Lynch rose $1⅛ to $22 and First Boston Corp closed $⅞ higher at $24⅛.

Telex Corp saw its shares decline $1 to $48½ as doubt intensified that investor Mr Asher B. Edelman will succeed in his bid to take over the company amid reports he may lower the price of his offer.

Canada

SHARP EARLY losses were retrieved in a broad rally to leave Toronto share prices mixed to marginally firmer in busy dealing.

In oil issues, Encor Energy lost C$¼ to C$8⅜ and topped the actives in the sector with more than 292,000 shares traded. Dome Petroleum said it would not tender its 42.5m Encor shares in TransCanada PipeLines' C$8.75 a share bid. Shell Canada was off C$⅜ at C$29⅝.

Industrial actives were headed by Canadian Pacific.

Sharp gain trimmed as London bows to US apathy

By Terry Byland in London

WITH TOKYO closed, it fell to the London securities markets to provide the initial reaction from outside the US to the agreement in Washington to cut $76bn from the Federal budget deficit over two years.

UK stocks rose sharply at first, in contrast to the somewhat mixed reception for the budget accord from other European centres. But the market's confidence failed when Wall Street turned lower, and London had lost part of its gains by the end of the day. Turnover in equities remained very thin.

The FT-SE 100 index, the London market's chief yardstick for daily trends, closed 24.3 higher at 1,657.7, after a 30-point rise earlier.

UK investors, relieved that some progress had been made on the US deficit, turned their attention back to the domestic economy. Optimism was encouraged by the latest survey of industrial opinion by the Confederation of British Industry, which suggested that business confidence has been unshaken by the stock market crash.

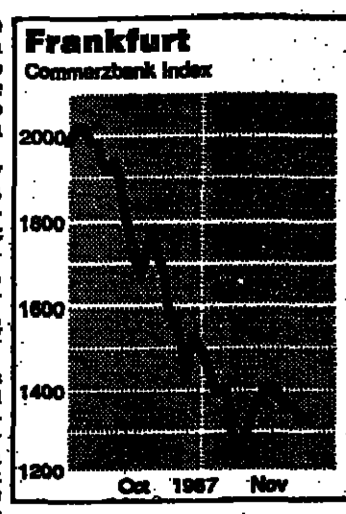
The survey said order books at UK manufacturing companies continued to strengthen. The CBI described it as the most optimistic picture for 10 years.

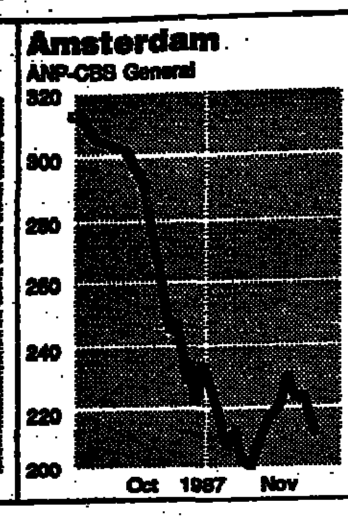
The US deficit proposals, however, met with only a lukewarm reception. "Better than nothing, but too little too late," was the view of one US trading house.

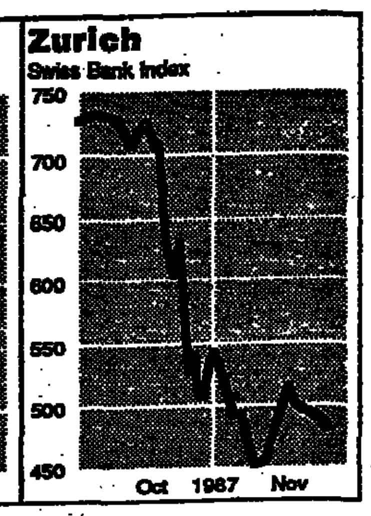
Mr Ian Harwood of Warburg Securities commented: "It seems there will be no early G7 meeting, and the dollar is still under pressure. World markets are likely to start worrying about the US trade deficit and interest rate variations again."

EUROPE

Budget deal brings little cheer







EUROPEAN investors were apparently unimpressed with Friday's accord in Washington to cut the US budget deficit. Those markets which gained did so only marginally and in thin trade.

FRANKFURT turned slightly higher from a weak start as a smattering of late domestic buying stirred an otherwise quiet market. The midsession Commerzbank index missed the rally, losing 5.2 to 1,320.5. The Boersen-Zeitung 30 share index, though, showed a closing gain of 2.68 at 278.90.

Banks had varied fortunes as the Washington budget accord raised the possibility of an imminent cut in domestic money rates. Deutsche shrugged off a weak start to close steady at DM430, Commerzbank added 50 pfg to DM218, but Dresdner slipped 50 pfg to DM231.

Siemens recovered slightly from damage caused last week by news it planned a dividend cut, rising DM10.30 to DM383.50. AEG was DM2 higher at DM226.

Cars rolled forward, Daimler by *DM3* to *DM634* and *BMW by* DM2 to DM424. VW fell initially on news that it was to close a US plant due to weak local demand, but a late recovery left it steady at *DM268.50.*

Machinery maker KHD roared DM10.90 ahead to DM99 on a binge of institutional buying. Other engineerings were less spectacular, with MAN rising by 40 pfg to DM116 and Linde unmoved at DM490.

In chemicals, BASF and Bayer rose DM3.60 and DM2.50 in turn to DM255.60 and DM271.30, while Hoechst made up DM2.30 to DM252. Retailers also hardened, with Karstadt up DM5 to DM464 and Kaufhof up DM13.50 to DM434. Horten stayed at DM170.

MILAN was nudged higher after a spate of late buying erased opening losses. The MIB index ended 0.43 per cent higher at 694, though in dull trade.

Montedison took centre stage amid market whispers that the chemical group was preparing moves to reduce its debt. It closed L13 off at L1,468 before rising after settlements. Ferruzzi ended L12 down at L1,390.

Blue chips generally profited from the late buying, however, with many strengthening further in after-hours trading. Insurers met particular interest, with Generali picking up L1,020 to close at L88,420 and hitting L89,000 in later trading.

Fiat closed down L136 at L8,215 but also rose in after-bourse trade.

ZURICH slipped lower as disappointment over the US budget deficit package knocked prices. The Credit Suisse index shed 6.7 to 431.9 in quiet trading with foreign buyers thin on the ground.

Declines were evenly spread across the market. Industrials saw Brown Boveri fall SFr225 to SFr1,795 and Georg Fischer off SFr25 at SFr725.

In chemicals, Ciba Geigy dropped SFr890 to SFr2,690 while Sandoz shed SFr400 to SFr11,200.

Banks, insurers and financials ended modestly lower.

Nestle, which posted good gains on last week's improved earnings, slipped SFr175 to SFr7,800, while Jacobs-Suchard lost SFr125 to SFr7,600.

PARIS finished marginally higher on the first day of the new accounting month in quiet trade. Brokers were sceptical, however, over the significance of the US budget accord announced on Friday.

The CAC index was up 4 at 289.5.

Most blue chips found support, although prices were pared by some late foreign selling. Peugeot was FFr16 higher at FFr976, while Lafarge Coppee climbed FFr13 to FFr1,125.

Privatised stocks also made up ground, with banks Paribas and Suez notching up FFr2.10 and FFr4 each to FFr311 and FFr288 respectively.

BSN picked up FFr109 to *FFr4,310. It said it was to boost* its stake in Spanish dairy group Danone to 20 per cent from 5 per cent.

AMSTERDAM moved higher but finished off the session's highs as buyers returned selectively to the market. Trade, though, was modest as was investor enthusiasm at the US budget accord.

The weighted ANP-CBS index closed 4.5 higher at 216.2.

Among internationally-traded blue chips, Akzo rose Fl 2.50 to Fl91 and KLM added 80 cents to Fl 28.90. Philips put on 80 cents to Fl 30, while Royal Dutch was 50 cents stronger at Fl 199. Unilever gained Fl 3 to Fl 104.50.

BRUSSELS slipped lower in thin trade with investors for the best part sidelined. The cash stock exchange index closed 16.68 lower at 3,813.61.

Most stocks were sluggish, notably holdings.

Among the brighter issues, Vieille Montagne added BFr290 to BFr5,950 on news that it was raising its prices for zinc products.

Steelmaker Arbed rose BFr16 to BFr1,218, also announcing price rises for its products.

In blue chips, Petrofina dipped BFr80 to BFr9,400, but chemical Solvay made up BFr30 to BFr9,370.

Dampened holdings saw Reserve lose BFr80 to BFr2,320 and Groupe Bruxelles Lambert off BFr50 to BFr2,380.

STOCKHOLM jumped higher in late buying after a soft opening. It firmed with London's rise and a pause in foreign selling. The Affaersvaerlden General index added 3.6 per cent to 692.9.

Of the bigger blue chips, Electrolux climbed SKr11 to SKr220 and Volvo SKr16 to SKr300, with trade in the two accounting for a quarter of the overall turnover of SKr242m.

OSLO staged a muted rally as bargain-hunters went on a selective search for cut price shares after recent sharp falls.

The all-share index rose 2.01 to 260.03 in moderate trading.

Oils advanced for the first time in a week with Saga Petroleum adding NKr4.50 to NKr90.

MADRID moved broadly higher in response to the Washington budget accord. The general index closed 3.21 up at 212.27.

Engineering issues gained strongly with banks also higher. Market leader Telefonica added 4 percentage points to 152.5 per cent of nominal market value.

HELSINKI was quietly mixed while investors considered the US deficit deal and the market's outlook.

The Unitas general index dipped 1.3 to 573.6 as lower banks pulled the index down, offsetting moderate gains in blue chips.

SOUTH AFRICA

A MODESTLY stronger bullion price carried Johannesburg gold shares slightly higher in sluggish trade. Gains were tempered by the strength of the financial rand.

The package to reduce the US budget deficit had little apparent impact.

Among golds, heavyweight issue Vaal Reefs marked up R2.50 at R287.50. Freegold rose 50 cents to R41 and Driefontein R1.25 to R66.25, while Kloof edged up 25 cents to R34.75.

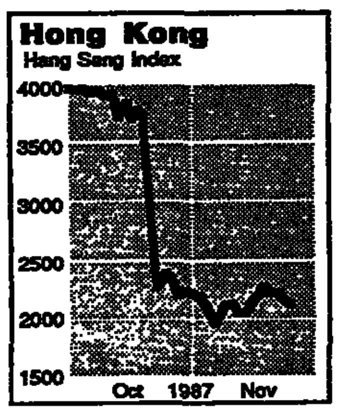
Mining financials followed in train, with Gold Fields of South Africa adding R1 to R53 and Anglo American rising 50 cents to R58.25.

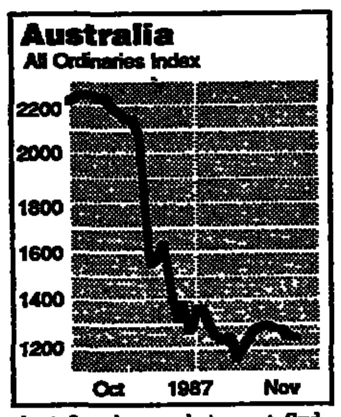
ASIA

Hong Kong leads bearish trend

ASIAN and Pacific markets yesterday took a cautious but generally bearish view of the US budget deficit agreement and trading *tended to* be fairly quiet. Tokyo was closed for a holiday.

In London trading, Japanese shares were little changed in the wake of the long Tokyo holiday and there was limited reaction to the US accord, with investors wary until the cuts package has passed through Congress.





Hong Kong

INSTITUTIONAL selling left Hong Kong with the region's biggest fall as the Hang Seng index shed 72.99 to 2,141.71 after an early rise of 28 points.

But turnover remained low at HK$966m compared with Friday's HK$972m as many investors decided to await Wall Street's response.

Fears that the budget accord would slow down US economic *growth* led to *some selling!*

Blue chips took the brunt, with Cheung Kong and its affiliate Hutchison Whampoa both down 30 cents at HK$6.60 and HK$6.90 respectively.

Among properties, Sun Hung Kai lost 40 cents to HK$8.25, New World Development down 25 cents at HK$6.75 and Hongkong Land off 35 cents at HK$7.25. Hang Seng index futures saw modest trade of 1,350 contracts, with November down 83 at 2,135 and December *off 75 at 2,223.*

Australia

DISAPPOINTMENT over a US deficit agreement seen as insufficient for the markets sent Sydney share prices slightly lower, with industrial stocks leading the falls.

The All Ordinaries index ended just 5.5 down at 1,250.3 but the All Industrials index finished with a loss of 16.4 at 1,935.5. Turnover was a quiet 77.2m shares as all eyes focused on Wall Street.

Industrial losses included a 20-cent fall for Amcor to A$3.85, while Brambles was off 10 cents at A$7.70 and Pacific Dunlop shed 12 cents to A$3.85. IEL was down 10 cents to A$1.80, Bond off 5 cents at A$1.85 and Ariadne unchanged at 55 cents after 7.5m shares changed hands.

The gold index lost 2.4 points to 1847.8, while the all resources index rose 2.2 points to 724.9.

Some mining stocks showed gains and golds were mixed. Resources market BHP fell to a low of A$6.94 before rallying to close up 6 cents at A$7.16.

Singapore

A POSITIVE early response to the US package fizzled out in Singapore in reaction to the losses in Hong Kong and the Straits Times industrial index finished off 1.53 at 822.84 in fairly thin trading. The holiday in Tokyo helped to dampen turnover.

The general trend was mixed, with banks such as DBS up 10 cents at S$9.10 and OCBC rising 5 cents to S$7.

Among the losers, Singapore Airlines shed 5 cents to S$9.15,

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 23 1987					FRIDAY NOVEMBER 20 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (89)	93.71	−0.7	77.61	91.25	4.53	94.34	78.62	91.43	180.81	85.80	89.45
Austria (16)	92.21	+0.7	76.38	79.96	2.58	91.53	76.28	79.94	102.87	85.53	93.83
Belgium (48)	101.29	−0.9	83.89	87.80	5.42	102.16	85.14	88.30	134.89	96.19	92.18
Canada (127)	101.55	+0.8	84.11	96.44	3.20	100.73	83.95	95.81	141.78	98.15	98.77
Denmark (38)	108.91	+1.6	90.21	95.21	3.08	107.23	89.36	94.58	124.83	98.18	94.35
France (120)	83.66	+1.9	69.29	74.38	3.66	82.10	68.42	73.54	121.82	77.39	95.74
West Germany (93)	74.77	+0.9	61.93	64.84	2.91	74.14	61.78	64.85	104.93	68.91	94.45
Hong Kong (46)	83.35	−3.1	69.04	83.25	5.90	86.00	71.67	85.72	158.68	75.82	88.98
Ireland (14)	102.88	+3.0	85.21	91.06	4.97	99.85	83.21	88.35	160.22	96.20	87.98
Italy (94)	75.53	+1.3	62.56	69.24	2.74	74.56	62.14	68.96	112.11	72.04	93.17
Japan (457)	137.42	+0.6	113.82	116.96	0.58	136.66	113.89	116.96	161.28	100.00	88.03
Malaysia (36)	104.55	+0.0	86.59	100.36	3.62	104.55	87.13	100.47	193.64	98.24	97.54
Mexico (14)	137.99	+9.3	114.29	355.30	0.77	126.20	105.17	355.30	422.59	99.72	91.79
Netherland (37)	96.61	+2.6	80.02	82.72	5.39	94.20	78.51	81.37	131.41	87.70	97.56
New Zealand (23)	77.66	+0.8	64.33	66.79	4.69	77.04	64.20	66.10	138.99	75.99	94.51
Norway (24)	102.46	+0.0	84.86	89.53	3.07	102.44	85.37	89.09	185.01	96.03	103.90
Singapore (27)	98.33	−0.2	81.44	91.85	2.61	98.57	82.14	92.05	174.28	90.19	96.82
South Africa (61)	124.86	−1.1	103.41	85.30	5.12	126.30	105.26	84.97	198.09	100.00	102.20
Spain (43)	117.61	+1.6	97.41	100.60	4.07	115.74	96.45	99.30	168.81	100.00	89.14
Sweden (34)	100.68	+3.9	83.39	89.95	2.54	96.91	80.76	86.79	136.64	88.50	99.40
Switzerland (53)	79.04	−1.4	65.46	67.11	2.45	80.20	66.83	68.64	111.11	73.65	94.11
United Kingdom (332)	120.37	+2.1	99.69	99.69	4.57	117.91	98.26	98.26	162.87	99.65	92.90
USA (582)	99.06	+0.4	82.05	99.06	3.72	98.69	82.25	98.69	137.42	92.83	101.91
Europe (946)	97.79	+1.6	81.00	83.49	3.99	96.26	80.22	82.73	130.02	92.25	93.88
Pacific Basin (678)	133.71	+0.5	110.75	114.78	0.80	133.10	110.92	114.84	158.77	100.00	88.19
Euro-Pacific (1624)	119.38	+0.8	98.87	102.30	1.85	118.39	98.67	102.03	143.65	100.00	90.44
North America (709)	99.19	+0.4	82.15	98.93	3.69	98.80	82.34	98.55	137.55	93.20	101.74
Europe Ex. UK (614)	83.78	+1.1	69.39	73.37	3.47	82.83	69.03	73.06	111.97	78.89	94.51
Pacific Ex. Japan (221)	88.90	−1.3	73.63	86.25	4.85	90.08	75.07	87.11	164.03	83.17	90.25
World Ex. US (1826)	118.83	+0.8	98.42	102.07	1.92	117.87	98.23	101.79	143.38	100.00	90.86
World Ex. UK (2076)	110.28	+0.5	91.34	101.28	2.32	109.72	91.44	101.09	138.82	100.00	95.39
World Ex. So. Af. (2347)	111.07	+0.7	92.00	101.19	2.52	110.33	91.95	100.87	139.47	100.00	95.12
World Ex. Japan (1951)	98.59	+0.7	81.66	93.00	3.85	97.88	81.57	92.52	134.22	95.64	98.59
The World Index (2408)	111.16	+0.7	92.07	101.09	2.54	110.43	92.03	100.78	139.73	100.00	95.16

Base values: Dec 31, 1986 = 100

Amendments to indices for November 20 applied to the following: Malaysia, Singapore, and Pacific Ex.Japan.

Mexican market closed for public holiday November 20. Japanese market closed for public holiday November 23.